

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION**

Case No. 1:16-cv-20683-MORENO/O'SULLIVAN

HERON DEVELOPMENT CORPORATION,
a foreign corporation,

Plaintiff,

v.

VACATION TOURS, INC., a Florida Corporation
d/b/a VACATION STORE OF MIAMI,
MEDIA INSIGHT GROUP, INC., a Florida
Corporation d/b/a MEDIA INSIGHT, ROSANNA
M. MENDEZ, and GEORGE A. ALVAREZ,
jointly, severally, and individually,

Defendants.

REPORT AND RECOMMENDATION

THIS MATTER is before the Court on the Plaintiff, Heron Development Corporation's Motion for Preliminary Injunction (DE# 21, 9/15/16). This matter was referred to the undersigned by the Honorable Federico A. Moreno, United States District Court Judge for the Southern District of Florida pursuant to 28 U.S.C. § 636(b). (DE# 31, 11/14/16). Having held an evidentiary hearing and having reviewed the motion (DE# 21, 9/15/16), response (DE# 29, 10/27/16), and reply (DE# 11/7/16), the parties' respective memoranda of law addressing the defendants' affirmative defenses of acquiescence (Plaintiff's Memorandum DE# 66, 2/23/17; Defendants' Memorandum DE# 83, 3/6/17), laches (Plaintiff's Memorandum DE# 67, 2/23/17; Defendants' Memorandum DE# 82, 3/6/17), fair use (Plaintiff's Memorandum DE# 68; 2/23/17; Defendants' Memorandum DE# 84, 3/6/17), generic mark (Plaintiff's Memorandum DE# 69;

Defendants' Memorandum DE# 85, 3/6/17), and the defendants' prior registration (Plaintiff's Memorandum DE# 70; Defendants' Memorandum DE# 86, 3/6/17), the evidence in the record, the parties' respective revised proposed findings of fact and conclusions of law (DE# 87 and 88, 3/6/17), and the applicable law, the undersigned respectfully RECOMMENDS that the Plaintiff, Heron Development Corporation's Motion for Preliminary Injunction (DE# 21, 9/15/16) be GRANTED in part solely as to Count I (Anticybersquatting Consumer Protection Act).¹

I. INTRODUCTION

Plaintiff Heron Development Corporation ("Heron" or "Plaintiff") initiated this action against Defendants Vacation Tours, Inc. d/b/a Vacation Store of Miami ("VSM"), Media Insight Group, Inc. ("Media Insight"), George A. Alvarez ("Alvarez"), and Rosanna M. Mendez ("Mendez") (collectively "Defendants") on February 24, 2016. *See* (Compl., D.E. 1). Plaintiff asserted seven counts, as follows:

- Count I for Cybersquatting under Anticybersquatting Consumer Protection Act ("ACPA") 15 U.S.C. § 1125(d);
- Count II of Trademark Infringement under the Lanham Act 15 U.S.C. § 1114;
- Count III for False Designation of Origin under the Lanham Act 15 U.S.C. 1125(a);
- Count IV for Dilution under 15 U.S.C. § 1125(c);
- Count V for Trademark Infringement under Florida Statutes § 495.131, *et seq.*;
- Count VI for Trademark Dilution under Florida Statutes § 495.151, *et seq.*;

¹ At the evidentiary hearing, the plaintiff orally modified its injunction request to seek relief regarding domain names that are (a) confusingly similar to incontestable marks, and (b) "used" by Defendants within the meaning of the ACPA. Thus, the preliminary injunction is requested solely as to Count I of the plaintiff's Amended Complaint; the plaintiff reserved all other claims and issues for trial.

- Count VII² for Deceptive and Unfair Trade Practices under Florida Statutes § 501.201, *et seq.* See (Compl., D.E. 1; Am. Compl., D.E. 44).

On September 15, 2016, Plaintiff filed its Motion for Preliminary Injunction and Request for Immediate Hearing (the “Motion”). (Mot. Prelim. Inj., D.E. 21). Defendants filed their response to Plaintiff’s Motion on October 27, 2016. (Resp. Prelim. Inj., D.E. 29). On November 7, 2016, Plaintiff filed its reply in support of the Motion. (Reply Prelim. Inj., D.E. 30).

At the February 22, 2017 evidentiary hearing, the parties offered argument, a number of documentary exhibits (*see* D.E. 73; D.E. 78), and deposition transcript excerpts (*see* D.E. 64) in support of their positions. The parties’ filed their respective Revised Proposed Findings of Fact and Conclusions of Law. (DE# 87 and 88, 3/6/17).

II. FINDINGS OF FACT

1. Plaintiff is a company organized and validly existing under the laws of the Republic of Panama with its principle place of business in Torre Generali, Office No. 9C-1, 9th Floor, Ave Samuel Lewis, Panama City, Panama. (Stipulated Findings of Fact (the “Stipulation”), D.E. 60, at ¶ 1; Am. Compl., D.E. 44, ¶ 1).

2. Defendant VSM is a Florida Corporation with its principle place of business in Coral Gables, Florida. (Stipulation at ¶ 2; Am. Compl., D.E. 44, ¶ 3).

3. Defendant Media Insight is a Florida Corporation with its principal place of business in Miami Beach, Florida. (Stipulation at ¶ 3; Am. Compl., D.E. 44, ¶ 4).

4. Defendant Alvarez is a registered agent and officer/director of Defendant Media Insight and was a resident of Miami-Dade County, Florida at all relevant times referred to in the Amended Complaint. (Stipulation at ¶ 4; Am. Compl., D.E. 44, ¶ 5).

² Inadvertently mis-numbered in the Complaint as “Count VIII.”

5. Defendant Mendez is an officer/director of Defendants Media Insight and VSM and was a resident of Miami-Dade County, Florida at all relevant times referred to in the Amended Complaint. (Stipulation at ¶5; Am. Compl., D.E. 44, ¶ 6).

6. Plaintiff is a wholesale commercial retailer of unsold resort inventory for resorts in Mexico and the Caribbean, including: (1) Beach Palace, located in Cancun, Mexico (opened October 1985); (2) Cozumel Palace, located in Cozumel, Mexico (opened in May 2005); (3) Isla Mujeres Palace, located in Isla Mujeres, Mexico (opened in January 2007); (4) Le Blanc Spa Resort, located in Cancun, Mexico (opened in August 2005); (5) Moon Palace Gold & Spa Resort, located in Cancun, Mexico (opened January 1997); (6) Moon Palace Jamaica Grand, located in Ocho Rios, Jamaica (opened in June 2015); (7) Playacar Palace, located in Playa del Carmen, Mexico (opened in December 2005); and (8) Sun Palace, located in Cancun, Mexico (opened in December 1990) (collectively the “Palace Resorts”). (Am. Compl., D.E. 44, ¶ 12; *see also* Stipulation at ¶ 8).

7. The Palace Resorts are all-inclusive hotel resorts featuring banquet and conference facilities, wedding and honeymoon accommodations, restaurants, bars, spas, fitness facilities, and optional golf packages. (Stipulation at ¶ 6; Am. Compl., D.E. 44, ¶ 13).

8. Plaintiff manages and protects numerous registered, incontestable trademarks for Palace Resorts (collectively the “Palace Resort Marks”) in the United States which include (as registered and incontestable on the dates in parentheses):

- a. BEACH PALACE, reg. no. 3622187, (Registered on May 19, 2009) (Incontestable on May 19, 2015);
- b. COZUMEL PALACE, reg. no. 3154935, (Registered on Oct. 10, 2006) (Incontestable on Oct. 21, 2011);
- c. ISLA MUJERES PALACE, reg. no. 3611002, (Registered on Apr. 28, 2009) (Incontestable on May 20, 2015);
- d. LE BLANC BED, reg. no. 3790516, (Registered on May 18, 2010), (Incontestable on May 16, 2010);

- e. LE BLANC SPA RESORT, reg. no. 3160152, (Registered on Oct. 17, 2006) (Incontestable on Nov. 29, 2011);
- f. MOON PALACE, reg. no. 2453148, (Registered on May 22, 2001), (Incontestable on May 18, 2007).
- g. MOON PALACE GOLF & SPA RESORT, reg. no. 3611003, (Registered on Apr. 28, 2009), (Incontestable on May 19, 2015);
- h. MOON SPA & GOLF CLUB, reg. no. 3611001, (Registered on Apr. 28, 2009), (Incontestable on May 22, 2015);
- i. PALACE RESORTS, reg. no. 3738725, (Registered on Jan. 19, 2010), (Incontestable on Jan. 19, 2016);
- j. PLAYACAR PALACE, reg. no. 3163633, (Registered on Oct. 24, 2006), (Incontestable on Oct. 24, 2011); and
- k. SUN PALACE, reg. no. 3622188, (Registered on May 19, 2009), (Incontestable as of May 19, 2015).

(Am. Compl., D.E. 44, ¶ 14. *See also* ¶ Plaintiff's Hearing Exhibit 2, D.E. 73-2 (*i.e.*, Printouts of Trademark Registrations); Stipulation at ¶ 10).

9. Pursuant to a December 5, 2015 Exclusive License Agreement, Plaintiff has an exclusive license to use, enforce, and protect Palace Resort's intellectual property, including trademarks, prospectively and retroactively, within the United States. (Am. Compl., D.E. 44, ¶ 2. *See also* Plaintiff's Hearing Exhibit 1, D.E. 73-1 (*i.e.*, Exclusive License Agreement).

10. Article 3.1 of the Exclusive License Agreement states:

LICENSOR hereby grants to LICENSEE and LICENSEE accepts, subject to the terms and conditions of this AGREEMENT, an exclusive license to use the INTELLECTUAL PROPERTY for marketing and promotion of the HOTELS in the TERRITORY, and as otherwise indicated in this AGREEMENT. In order to provide LICENSEE with exclusivity to use the INTELLECTUAL PROPERTY in the TERRITORY, LICENSEE has the right to exclude LICENSOR from specifically using the INTELLECTUAL PROPERTY for the term of this AGREEMENT.

(Plaintiff's Hearing Exhibit 1, D.E. 73-1 (*i.e.*, Exclusive License Agreement)). Article 6 of the Exclusive License Agreement also provides Heron the exclusive rights to enforce the Palace Resort Marks in the United States. Article 6.5 states:

LICENSOR hereby conveys to LICENSEE the exclusive right to sue for any and all instances of post infringement actions with regard to the INTELLECTUAL PROPERTY in the TERRITORY.

(*Id.*).

11. In or about 2008, Defendants began a marketing, advertising, and reservation referral service that included potential reservations at Palace Resorts hotels. (Am. Compl., D.E. 44, ¶ 31).

12. Palace Resorts and VSM engaged in a wholesaler relationship for approximately a decade. On June 10, 2012, Palace Resorts and VSM entered into the most recent Wholesaler Contract and Addendum that specified rates and terms for booking rooms at hotels owned and operated by Palace Resorts. (Am. Compl., D.E. 44, ¶ 32. *See also* Plaintiff's Hearing Exhibit 8, D.E. 73-8, (*i.e.*, Wholesaler Contract and Addendum); Stipulation at ¶ 12). The Wholesaler Contract was terminated on March 14, 2014 (Exhibit 12 to Am. Compl.) (DE# 44-12, 12/22/16). (Am. Compl., D.E. 44, ¶ 43); see also Plaintiff's Hearing Exhibit 15, D.E. 73-15 (*i.e.*, Notice of Termination Letter); Stipulation at ¶ 12).

13. Paragraph 14 of the Wholesale Contract states: "ADVERTISING: The parties must agree in advance about any marketing to be done by wholesaler. In the event the parties fail to agree, Wholesaler will not be permitted to use the name or likeness of IHR, its affiliates, related entities and any resorts for which bookings are made hereunder without the express written consent of IHR in its sole discretion on a case-by-case basis. If a marketing plan is agreed upon, IHR must receive copies of all advertisements and marketing promotions established by the marketing plan in advance. Any marketing efforts conducted by Wholesaler pursuant to this Agreement shall at all times be subject to the provisions of Section 17 below."

(Plaintiff's Hearing Exhibit 8, D.E. 73-8, (*i.e.*, Wholesaler Contract and Addendum)) (emphasis added).

14. Paragraph 17 of the Wholesaler Contract specifically indicates that the “unauthorized use or reproduction of the Protected Intellectual Property is strictly prohibited and any infringement upon such Protected Intellectual Property will be prosecuted to the fullest extent of the law” and that “the unauthorized use or reproduction of any Protected Intellectual Property shall be grounds for the immediate termination of this Agreement” (*Id.*) (Emphasis added).

15. Paragraph 17 further states that: “For the avoidance of doubt, the restrictions contained in this paragraph shall be deemed to apply to any use or registration of any trademark, trade name, service mark, domain name, meta tag, keyword, social media handle, commercial symbol or logo containing any of the Protected Intellectual Property and to the use or registration of any trademark, trade name, service mark, domain name, meta tag, keyword, social media handle, commercial symbol or logo which is confusingly similar to the Protected Intellectual Property. Additionally, the unauthorized use or reproduction of any Protected Intellectual Property shall be grounds for the immediate termination of this Agreement; provided, however, that this remedy shall not be exclusive, but shall be in addition to any other remedy available to IHR hereunder or in accordance with applicable law.” (*Id.*) (Emphasis added).

16. Defendants and Plaintiff each have distinct customer service models, customer support, personnel, pricing, and business models for marketing and servicing potential resort customers. Potential resort customers interact with either Palace Resort customer service personnel or Vacation Store customer service personnel, depending on whether they make

contact through a Palace Resort domain name and website, or a domain name and website operated by Defendants.

17. Defendant Vacation Store's travel services to potential customers are not owned, operated, sponsored or endorsed by Plaintiff. Paragraph 22 of the Wholesale Agreement states:

The relationship between the parties created pursuant to this agreement is, and is intended to be, that of independent contractors. Nothing in this Agreement shall be construed as establishing or implying any partnership or joint venture between the parties hereto, and nothing in this Agreement shall be construed as establishing or implying any partnership or joint venture between the parties hereto, and nothing in this Agreement shall be deemed to authorize either party (a) to incur any expenses on behalf of the other party, (b) to enter into any engagement or make any representation or warranty on behalf of the other party, (c) to pledge the credit of, or otherwise bind or oblige the other party, or (d) to commit the other party in any way whatsoever, without in each case obtaining the other party's prior written consent.

(*Id.*).

18. Defendant Media Insight is presently the registrant of the following domain names that incorporate the Palace Resort registered and incontestable trademarks (collectively referred to as "Infringing Domain Names"):

- a. <beachpalacecancunhotel.com>
- b. <beachpalacecancunresort.com>
- c. <beachpalacegrand.com>
- d. <palacecancunhotel.com>
- e. <palacecozumel.com>
- f. <islamujerespalace.com>
- g. <islamujerespalacegrand.com>
- h. <palaceislamujeres.com>
- i. <islamujerespalaceresort.com>
- j. <leblanc-cancun.com>
- k. <leblancancunspa.com>
- l. <leblancresortspa.com>
- m. <moonpalacecancunresort.com>
- n. <moonpalacejamaicagrand.com>
- o. <moonpalacejamaicaresort.com>
- p. <moonpalaceochorios.com>
- q. <palacejamaicagrande.com>
- r. <palaceresortsguide.com>

- s. <palaceplayacar.com>
- t. <playacarpalace.com>
- u. <playacarpalacegrand.com>
- v. <sunpalacecancunresort.com>
- w. <sunpalaceresort.com>

(See Stipulation at ¶ 11; Plaintiff's Hearing Exhibit 11 (*i.e.*, Infringing Domain Names)).

19. All of the Infringing Domain Names are identical or confusingly similar to the Palace Resort incontestable trademarks, with each Infringing Domain Name incorporating the resort name and directing viewers to a website that markets travel services and hotel reservations for the specific, corresponding Palace resort property. (Am. Compl., D.E. 44, ¶ 49).

20. While some of the Infringing Domain Names were registered before, or in anticipation, of the opening of a specific hotel, Defendants have renewed and continue to use all of the Infringing Domain Names with live websites mimicking the Palace Resort hotel websites through the present. (Plaintiff's Hearing Exhibit 32 (*i.e.*, Cross Referencing Domains & Exhibits)).

21. All of the Infringing Domains and associated websites were registered and used by Defendants to appear as though they are owned, operated, or sponsored by Palace Resorts, when in fact they sell travel services for Vacation Store of Miami. The facts leading to the conclusion that the Defendants intended to confuse and deceive customers include, but are not limited to:

- a. The use of domain names that incorporate Plaintiff's trademarks, rather than selling their travel services through domain names that identify Vacation Store of Miami, such as their own web site <www.vacationstoreofmiami.com>.
- b. The designs of the websites that are made to appear as though the websites are operated or sponsored by Palace Resorts.
- c. The wording on the websites that use pronouns such as "we" and "our" as though Defendants are in fact Palace Resorts. Examples include:

- “...and returning guests will be amazed at the striking transformation that our recent renovations brought.”
- “Our chic and unique style carries into our luxurious guestrooms, with all of the comforts and conveniences you expect from Palace Resorts all-inclusive features. Of course, our exceptional service is of the highest standard will leave you smiling every time.”
- “Relax in any of our 3 outdoor pools, and vibe in one of our bars, enjoy nightly entertainment. “
- “It is all included in our all-exclusive features.”
- “Our supervised Kids Club keeps the youngsters engaged...”

(Plaintiff’s Hearing Exhibit 11, D.E. 73-11, at pp. 2, 4, 6) (emphasis added).

- d. The words “Vacation Stores of Miami®” were added above the name of the resort in the header of certain web pages after this lawsuit was filed. However, this placement does nothing to tell customers who “Vacation Stores of Miami®” is. In fact, the placement of words “Vacation Stores of Miami®” above the specific hotel names on the header actually (and falsely) suggests an endorsement, sponsorship, or affiliation between Defendant Vacation Stores of Miami and Palace Resorts.
- e. The footer of each website lists the names of Palace Resorts other hotels further suggesting that the domains and websites are falsely owned, sponsored, affiliated or endorsed by Palace Resorts.
- f. The footer of certain web pages also state, for example, “Beach Palace Cancun” immediately followed by “call us toll free at 1 888 774 0040 or 305 774 0040.” However, these phone numbers belong to Vacation Stores, not Palace Resorts. (Plaintiff’s Hearing Exhibit 11, D.E. 73-11).

22. On March 14, 2014, Kelly A. McGovern, Esq., from Tenzer PLLC, sent a letter to VSM (specifically Rosanna Mendez), notifying VSM of the termination of the Wholesaler Contract and Addendum “for failure to comply with Sections 1 and 17 of the Contract.” (Am. Compl., D.E. 44, ¶ 43. See also Plaintiff’s Hearing Exhibit 15, D.E. 73-15 (*i.e.*, Notice of Termination Letter); Stipulation at ¶ 12).

23. On March 19, 2014, McGovern sent another letter demanding VSM cease and desist using the Palace Resort Marks, noting that “Vacation Store, continues to market and offer for sale vacation packages at the Palace Resorts and Le Blanc Spa Resort properties on various websites, certain of which constitute the unauthorized use of Protected Intellectual property as defined in Paragraph 17 of the Contract, notwithstanding that the Wholesale Contract has been terminated.” (Am. Compl., D.E. 44, ¶ 44. See also Plaintiff’s Hearing Exhibit 16, D.E. 73-16 (*i.e.*, Cease and Desist Letter); Stipulation at ¶ 13).

24. In response, on April 1, 2014, VSM sent a proposed Domain Names License Agreement seeking to license the use of the Infringing Domain Names to Palace Resorts for \$8,000/month payable by Plaintiff to Defendants, and liquidated damages for breach by Palace of up to \$200,000. (Am. Compl., D.E. 44, ¶ 45. See also Plaintiff’s Hearing Exhibit 17, D.E. 73-17 (*i.e.*, Domain Name License Agreement (draft)); Stipulation at ¶ 14).

25. Plaintiff did not agree to Defendants’ attempt to have Plaintiff pay Defendant money in exchange for Defendants’ agreement to cease and desist using the Infringing Domain Names, as shown by the fact that the Domain Name License Agreement (draft) was never agreed to or signed. See Stipulation at ¶ 14.

26. On June 15, 2015, Laura M. Reich, Esq., from Tenzer PLLC, sent another cease and desist letter to Rosanna Mendez and George Alvarez citing defendants’ intellectual property infringements and seven instances of customer confusion associated with Defendants continued use of the Infringing Domain Names. (Am. Compl., D.E. 44, ¶ 46. *See also* Plaintiff’s Hearing Exhibit 18, D.E. 73-18 (*i.e.*, June 15, 2015 Letters from Reich to Mendez and Alvarez)); Stipulation at ¶ 15).

27. In each of the seven instances of customer confusion referenced in the June 15, 2015 letter, the customer was confused about the source and origin of the travel services being provided. Whether the customer had booked through Vacation Store thinking that they had booked directly with Palace Resorts, or the customer had booked through a different booking engine and later reached out to a Vacation Store email (often not receiving a response) thinking that Vacation Store was the resort itself, these situations highlight the difficulties and confusion that Palace Resort's customers faced. (Plaintiff's Hearing Exhibit 18, D.E. 73-18, and 29, D.E. 73-32).

28. Defendants refused to comply (and continue to refuse to comply) with any of the numerous attempts by Plaintiff, and its predecessor-in-interest (*i.e.*, International Hotel Reservations), to compel Defendants to cease registering and using the Infringing Domain Names.

29. The Palace Resorts have continued to receive inquiries from consumers who viewed the websites at the Infringing Domain Names, believing that those websites were owned, operated, and/or affiliated with Palace Resorts. In August 2016, two different customers contacted Palace Resorts via an Internet live chat after booking reservations through Vacation Store, believing that they had booked directly with a Palace Resorts. *See* (Plaintiff's Hearing Exhibit 22, D.E. 73-22 (*i.e.*, confused consumer chat logs)).

30. The customer stated that he had been fooled into believing he had been dealing directly with Palace Resorts:

Susan [a/k/a Gisella Hemer]: Was your reservation booked directly on our site?

[Tom A. Little]: It turns out it is a "Vacation Store site in Miami"[.] They are using your website! It looks like your hotel website and uses cozumelpalace.com...

[Tom A. Little]: Can you tell if I have a reservation? It looks like the official Cozumel Palace website....

[Tom A. Little]: That is pretty sneaky where they are using your website and purporting to be the official site!

Id. One day later, a second customer with concerns about her Moon Palace Jamaica Grande reservation contacted a representative for Palace Resorts via a live online chat. This customer also indicated that she thought she was booking directly with the resort, but that she was confused by Defendant's website at one of the Infringing Domain Names:

[Sandra Jamison]: I have a confirmation email - but it looks like it is from 'vacation store' -- I thought I was booking directly with Moon Palace because that's what the website said....

[Sandra Jamison]: I really thought I was making the reservation with you directly, and then got worried when I saw the email.. :-(

Id. Defendants' suggestion that these customers may actually have just wanted a better deal is not well-taken, it is clear that these chat logs show evidence of *actual* customer confusion. *See* February 22, 2017 Evidentiary Hearing Transcript, 87:19 – 88:2 (THE COURT: What about the two chats? MR. ROBERTSON: They have two chats. And those people both booked with Vacation Tours. . . . So, they weren't misled. . . . They called the chat room and said, You know, this price seems different, I'm looking at different web pages, and there's different prices.).

31. The Infringing Domain Names and websites have repeatedly caused *actual* customer confusion about Palace Resort's rates, services, and many aspects of Palace Resort's hotels, services, and business. These actions have resulted in a loss of goodwill with Palace Resort customers. (Am. Compl., D.E. 44, ¶ 51); *See* (Plaintiff's Hearing Exhibit 22, D.E. 73-22 (*i.e.*, confused consumer chat logs)).

32. On September 15, 2016, Plaintiff filed its Motion for Preliminary Injunction based on the continuing consumer confusion (as shown in the confused consumer chat logs)

resulting from Defendants registration and use of the Infringing Domain Names. (Mot. Prelim. Inj., D.E. 21).

33. Plaintiff now seeks a preliminary injunction, during the pendency of this action, to (1) prohibit Defendants' registration of domain names which incorporate, in whole or in part, the Palace Resort registered trademarks that have become incontestable, and (2) require Defendants to change the Domain Name Service ("DNS") settings on all the Infringing Domain Names to forward website traffic to the appropriate Palace Resort webpage. (Mot. Prelim. Inj., D.E. 21, p. 5). For example, Defendants' Infringing Domain Name <http://www.beachpalacecancunhotel.com> would be forwarded to Plaintiff's website for the Beach Palace in Cancun <http://www.palaceresorts.com/beachpalace/en>.

III. CONCLUSIONS OF LAW

A. Injunction Standard

34. To obtain a preliminary injunction, the moving party must establish: (1) a substantial likelihood of success on the merits; (2) that an injunction is necessary to prevent irreparable injury; (3) that the injury to the moving party outweighs whatever damage the proposed injunction might cause the non-moving party; and (4) that an injunction is in the public interest. See BellSouth Telecomms., Inc. v. MCIMetro Access Transmission Servs., LLC, 425 F.3d 964, 968 (11th Cir. 2005).

35. Based on the above findings, Plaintiff has established a substantial likelihood of success on the merits. The Palace Marks are incontestable, and thus distinct and capable of protection as a matter of law. Under the standards set by the ACPA, the Infringing Domains are identical or confusingly similar to Plaintiff's incontestable marks—indeed, there have been *actual* instances of customer confusion. The undersigned finds that the Defendants clearly

registered, used, and trafficked in the Infringing Domain Names with the bad faith intent to profit from Plaintiff's goodwill, and to divert potential customers to the Infringing Domain Names and websites. That is all that is required to prevail on Plaintiff's ACPA claims.

36. Even if the ACPA required evidence of "likelihood consumer confusion" beyond the mere similarity of the domain names to the registered trademarks, the undersigned finds a likelihood of confusion on these facts. In this case, the Palace Resort Marks are incontestable trademarks; the Infringing Domain Names are highly similar to the Palace Resort Marks; Plaintiff and Defendants both utilize similar advertising media, such as the internet; Defendants had a bad faith intent when registering, renewing and using the Infringing Domain Names because they knew and acknowledged Plaintiff's trademark rights; and Plaintiff has submitted at least nine instances of actual confusion from customers mistaking Palace Resort's hotels and reservation services with Defendant Vacation Store's travel services. See Safeway Store, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160, 1164 (11th Cir. 1982); Ross Bicycles, Inc. v. Cycles USA, Inc., 765 F.2d 1502, 1506 (11th Cir. 1985); see also Lipscher v. LRP Publ'ns, Inc., 266 F.3d 1305, 1313 (11th Cir. 1997).

37. "The likelihood of confusion is greater when an infringer uses the exact trademark." Turner Greenberg Assocs. v. C & C Imps., Inc., 320 F. Supp. 2d 1317, 1332 (S.D. Fla. 2004) (citing United States Jaycees v. Philadelphia Jaycees, 639 F.2d 134, 142 (3d Cir. 1981)). In this case, the Infringing Domain Names incorporate the Palace Resort Marks exactly or in a confusingly similar manner. Moreover, "[t]he greater the similarity between the products and services, the greater the likelihood of confusion." John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 976 (11th Cir. 1983) (quoting Exxon Corp. v. Texas Motor Exchange, Inc., 628 F.2d 500, 505 (5th Cir. 1980)). Both parties sell the same resort services at Plaintiff's resort,

which makes it more likely that customers will be confused. Additionally, convergent marketing channels increase the likelihood of confusion. See Turner Greenberg Assocs., 320 F. Supp. 2d at 1332. In this case, both Plaintiff and Defendants utilize the internet as a marketing channel, which increases the likelihood of customers being confused.

38. Although evidence of actual confusion is unnecessary to establish infringement, “[i]t is undisputed that evidence of actual confusion is the best evidence of a likelihood of confusion.” See Frehling Enters. v. Int’l Select Group, Inc., 192 F.3d 1330, 1340 (11th Cir. 1999) (citing John H. Harland Co., 711 F.2d at 978). Plaintiff has presented numerous instances of *actual* confusion where the customer’s “state of mind” showed that they thought that they had booked directly with the Palace Resort, when in fact they had booked with Defendants, through websites at the Infringing Domain Names.

39. Because Defendants have repeatedly and unjustifiably refused to cease using the domain names after the Wholesale Contract was terminated, an injunction is necessary to prevent continuing irreparable injury, *i.e.*, continuing actual customer confusion and the resulting harm to Defendants’ brand, reputation, and goodwill.

40. The public has a legitimate interest in not being misled or deceived as to the origin of trademarked products. See Naitiques Cosmetic Corp. v. Salon Sciences, Corp., 1997 WL 244746, at *5, 41 U.S.P.Q.2d 1995, 1999 (S.D. Fla. 1997) (“The interests of the public in not being victimized and misled are important considerations in determining the propriety of granting injunctive relief.”).

41. Here, the public is being misled to believe that Defendants’ Infringing Domain Names are owned by or affiliated with Palace Resorts. The public has a compelling and legitimate interest in not being subject to such conduct. Moreover, Defendants have their own

domain names, including <www.vacationstoreofmiami.com>, where they can continue to market and sell their travel services—including booking customers at the Palace Resorts. So the injury to the Plaintiff and the consuming public outweighs any injury to the Defendants in granting a preliminary injunction.

B. Specific Issues of Law

42. At the February 22, 2017 evidentiary hearing and previously, the Court has asked the parties specifically to address the following issues in their conclusions of law:

- (1) The Defendants’ defenses of acquiescence and laches;
- (2) The Defendants’ defense that the Palace Resort Marks are merely descriptive or generic;
- (3) The Defendants’ defense of fair use;
- (4) The Defendants’ defense of prior use;
- (5) The Relevance of the incontestability of the trademarks;
- (6) The Defendants’ defense that the word “Palace” cannot be trademarked;

Each issue as well as which party bears the burden of proof and the lack of any relevancy of Defendants’ affiliate relationship with “GoGo” is addressed in turn below.

(1) The Defendants’ defenses of acquiescence and laches fail.

43. Defendants have raised the defense of “acquiescence,” arguing that Plaintiff was aware of and consented to (either explicitly or implicitly) Defendants’ use of Palace Resorts’ trademarks and intellectual property.

44. The defense of acquiescence requires proof of three elements: (1) the plaintiff actively represented it would not assert a right or claim; (2) the delay between the active representation and assertion of the right or claim was not excusable; and (3) the delay caused the defendant undue prejudice.” Angel Flight of Ga., Inc. v. Angel Flight Am., Inc., 522 F.3d 1200, 1207 (11th Cir. 2008). “The absence of one element of the acquiescence case is sufficient to

deny the equitable relief requested.” Coach House Rest., Inc. v. Coach & Six Rests., Inc., 934 F.2d 1551, 1559 (11th Cir. 1991).

45. Plaintiff never “actively represented” it would not assert a claim against Defendants for their improper use of the Palace Resort Marks, and indeed, any alleged consent was revoked by the March 14, 2014 termination letter (Exhibit 12 to Am. Compl., D.E. 44-12) and the March 19, 2014 cease and desist letter (Exhibit 13 to Am. Compl., D.E. 44-13). Indeed, such objections are the opposite of conduct assuring the Defendants that Plaintiff would not assert its trademark rights. In fact, in the letters from Plaintiff’s counsel to Defendants, dated (i) March 14, 2014, (ii) March 19, 2014, and (iii) June 15, 2015, Plaintiff expressly reserves its rights and/or threatens legal action. Additionally, the Wholesaler Contract between Plaintiff and Defendants specifically prohibited Defendants from the unauthorized use of the Palace Resort Marks.

46. “[C]onsent is a defense only with respect to acts undertaken before there has been an effective termination of the consent.” 6 McCarthy on Trademarks and Unfair Competition § 31:42 (4th ed.). When active consent merely is implied, it “is generally terminable at the will of the licensor.” Conagra, Inc. v. Singleton, 743 F.2d 1508, 1516 (11th Cir. 1984) (citations omitted).

47. Plaintiff has never expressly stated that it approved or authorized Defendants’ actions or that it would not pursue legal action against the Defendants. Thus, at best, any active consent can only be implied, and thus is terminable at will.

48. The undersigned finds that the e-mail exchanges between Plaintiff and Defendants regarding corrections of the content of Defendants’ websites do not constitute active consent. Plaintiff terminated the Wholesale Agreement in March 2014.

49. Courts have declined to find acquiescence from an alleged conversation between a plaintiff and the defendant's brother in which plaintiff "had indicated to him that they did not have a problem with [defendant's] company" and any consent that did exist "would have been quickly dashed when . . . [plaintiff] emailed [defendant] with a proposed licensing agreement." Buccellati Holding Italia SPA v. Laura Buccellati, LLC, 5 F. Supp. 3d 1368, 1375 (S.D. Fla. 2014).

50. Courts have also declined to find an active representation giving rise to acquiescence when the alleged consent was terminated. See AT&T Corp. v. Synet, Inc., No. 96 C 0110, 1997 WL 89228, at *10 (N.D. Ill. Feb. 11, 1997) (holding that "upon entering contracts with [plaintiff] which expressly provided that neither party shall use the other party's name, logo, trademarks, or service marks without the prior written approval of the other party it was no longer reasonable to infer that [plaintiff's] silence was acquiescence"); Seller Agency Council, Inc. v. Kennedy Ctr. for Real Estate Educ., Inc., No. SA CV 06-679 AHS, 2011 WL 1211477, at *2 (C.D. Cal. Mar. 30, 2011) (finding that while defendant previously had "permission and consent to use the [plaintiff's] trademarks" through a "stock purchase agreement," plaintiff revoked this consent via a cease and desist letter). "[T]ypically, any acts 'after receiving a cease and desist letter are *at the defendant's own risk* because it is on notice of plaintiff's objections to such acts.'" Seller Agency Council, Inc., 2011 WL 1211477 at *6 (citing ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy P.C., 314 F.3d 62, 68 (2d Cir. 2002) (quoting Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 205 (5th Cir. 1998)) (emphasis added).

51. As the first two elements of the acquiescence test are not met, "there is no need to examine the undue prejudice element." Coach House, 934 F.2d at 1559. However, even if

Defendants could establish the other elements of acquiescence, Defendants cannot show any undue prejudice. While the Eleventh Circuit has not defined “undue prejudice,” other Circuits define “undue prejudice” as meaning “that the defendant has taken steps such as making significant investment decisions or building the bulk of its business based on the reasonable assumption that it had permission to use the plaintiff’s marks, and that such investment or capital would be lost if the defendant could no longer use the mark.” Pennzoil-Quaker State Co. v. Miller Oil & Gas Operations, 779 F.3d 290, 296 (5th Cir. 2015). Defendants have made little effort to submit evidence to support an undue prejudice defense.

52. Even if Defendants were able to establish all the elements of an acquiescence defense – which they cannot do – they would still not be successful because their use of the Palace Resort Marks has already caused and will continue to cause inevitable customer confusion. “Upon a showing that ‘inevitable confusion’ arises from the continued dual use of the marks, a senior user’s claim may be revived from estoppel. . . . Consequently, if there is an inevitability of confusion, [the senior user’s] law suit may be revived from estoppel.” SunAmerica Corp. v. Sun Life Assur. Co. of Canada, 77 F.3d 1325, 1334 (11th Cir. 1996) (citing Coach House, 934 F.2d at 1564) (other citations omitted); see also Angel Flight, 522 F.3d at 1208 (“Laches and acquiescence are inapplicable to the facts of this case because the public is confused *Laches or acquiescence do not preclude the Court's issuance of an injunction to prevent further acts of trademark confusion by [defendants].*”) (emphasis added).

53. Here, Plaintiff has provided several instances of *actual* consumer confusion, rather than just possible or likely confusion, which render Defendants’ acquiescence defense inapplicable and support this Court’s issuance of a preliminary injunction.

54. Defendants have also raised the defense of “laches,” arguing that Plaintiff was aware of Defendants’ use of Palace Resorts’ trademarks and intellectual property (the “Palace Resort Marks”) but waited too long to assert its rights.

55. “The burden of establishing laches as an affirmative defense is on the Defendants.” Buccellati Holding, 5 F. Supp. 3d at 1374-75 (citing Conagra, Inc. v. Singleton, 743 F.2d 1508, 1516 (11th Cir. 1984)). In order to prevail on a laches defense, “Defendants must show that Plaintiffs: (1) delayed in enforcing its trademark rights; (2) that the delay was not excusable; and (3) that the delay caused undue prejudice.” *Id.* at 1375 (citing Conagra, 743 F.2d at 1517).

56. For the first element, “[D]elay is measured from the time the plaintiff knew or should have known that it had a provable claim for infringement, *but it is under no obligation to sue until the likelihood of confusion looms large.*” Buccellati Holding, 5 F. Supp. 3d at 1375 (emphasis added) (citing Kason Indus. v. Component Hardware Grp., Inc., 120 F.3d 1199, 1206 (11th Cir. 1997)). Here, Plaintiff sent Defendants a letter terminating the Wholesaler Contract on March 14, 2014 (Exhibit 12 to Am. Compl., D.E. 44-12), and another cease and desist letter on March 19, 2014 (Exhibit 13 to Am. Compl., D.E. 44-13). In 2015 and 2016, Plaintiff became aware of several instances of actual consumer confusion (See, e.g. Exhibits 18 and 19 to Pl.’s Mt. Prelim. Inj., D.E. 21-19 and 21-20), and had additional communication with Defendants concerning their misuse of the Palace Resorts Marks. Finally, in February 2016, when the likelihood of continued confusion loomed large and just under two years from the termination of the Wholesaler Agreement, Plaintiff brought the present action against Defendant. This Court finds that Plaintiff’s did not delay in enforcing its rights to the Palace Resort Marks.

57. For the second element, “[W]hether delay is excusable requires an examination into the reasons for the delay.” Pandora Jewelers 1995, Inc. v. Pandora Jewelry, LLC, 703 F. Supp. 2d 1307, 1315 (S.D. Fla. 2010). In Buccellati Holding case, the court found that the nearly five year delay between “the date that Plaintiffs sent their cease and desist letter, in August 2008 and the date that this suit was brought, in April 2013” was excusable because “the parties were in constant communication, in an attempt to ascertain whether a peaceful co-existence was possible between the parties and during the entire course of their discussions Plaintiffs continued to lodge formal and informal objections to Defendants’ use of the mark.” Buccellati Holding, 5 F. Supp. 3d at 1375. Plaintiff continuously asserted their rights to the Palace Resort Marks. Thus, the present case is analogous to Buccellati Holding, and the Court finds that the Plaintiff did not delay in asserting its rights.

58. For the third element, “a defendant must prove that the plaintiff’s delay, whatever the measure, caused the defendant undue prejudice.” Kason Indus. v. Component Hardware Grp., Inc., 120 F.3d 1199, 1206 (11th Cir.1997); *see also Pandora Jewelers 1995, Inc.*, 703 F. Supp. 2d at 1315 (finding undue prejudice where Plaintiff delayed over five years and Defendant had spent “approximately \$61.6 million in advertising expenditures.”). The “amount of prejudice suffered by the defendant is weighed against the public interest in avoiding confusion.” Buccellati Holding, 5 F. Supp. 3d at 1374-75. Similar to an acquiescence defense, a laches defense “does not preclude the Court’s issuance of an injunction to prevent further acts of trademark confusion by [Defendants].” Angel Flight of Ga., Inc. v. Angel Flight Am., Inc., 522 F.3d 1200, 1207 (11th Cir.2008); *see also Kason Indus.*, 120 F.3d at 1207 (“[I]f the likelihood of confusion is inevitable, or so strong as to outweigh the effect of the plaintiff’s delay in bringing suit, a court may in its discretion grant injunctive relief, even in cases where a suit for damages is

appropriately barred.”); Restatement (Third) of Unfair Competition § 31, cmt. e (1995) (“[B]ecause of the public interest in preventing the deception of consumers, delay by the trademark owner will not ordinarily disable it from obtaining an injunction if there is strong evidence of likely or actual confusion.”). Here, Defendants have only expressed vague statements about how Defendants continued to “invest and expand their business as it related to Plaintiff’s hotels” but have not provided any evidence of such. Further, Plaintiffs have already established several instances of actual consumer confusion from Defendants’ use of the Palace Resort Marks. This Court finds that any prejudice potentially suffered by Defendants is outweighed by the interest of avoiding confusion.

59. For the foregoing reasons, this Court should deny Plaintiff’s defenses of acquiescence and laches.

(2) The Defendants’ defense that the Palace Resort Marks are merely descriptive or generic fails.

60. Sub-section 1115(b) of Title 15 of the United States Code applies to Plaintiff’s incontestable trademarks and states:

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application....

15 U.S.C. §1115(b).

61. Sub-section 1115(b) makes it clear that once a mark becomes incontestable, only nine affirmative defenses can be pled. But only one of the nine enumerated defenses is asserted

as an affirmative defense by Defendants, “(9) That equitable principles, including laches, estoppel, and acquiescence, are applicable.” 15 U.S.C. §1115(b)(9). As shown above, these defenses are inapplicable here.

62. Defendants have argued that Plaintiff’s registered trademarks, including Plaintiff’s incontestable marks, are invalid because they are merely descriptive. Both the Eleventh Circuit and Supreme Court have recognized that “[o]nce a mark has achieved ‘incontestable’ status, its validity cannot be challenged on the grounds that it is merely descriptive” Dieter v. B & H Indus. of Sw. Florida, 880 F.2d 322, 328 (11th Cir. 1989) (quoting Park ‘N Fly, Inc. v Dollar Park and Fly, Inc., 469 U.S. 189, 194 (1985)). “According to the Eleventh Circuit, an incontestable mark is presumed ‘to be at least descriptive with secondary meaning, and therefore a relatively strong mark.’” HBP, Inc. v. Am. Marine Holdings, Inc., 290 F. Supp. 2d 1320, 1329 (M.D. Fla. 2003), aff’d sub nom. HBP, Inc. v. Am. Marine Holdings, 129 F. App’x 601 (11th Cir. 2005) (quoting Dieter, 880 F.2d at 328) (other citation omitted).

63. Defendants also argue that Plaintiff’s incontestable marks are generic under 15 U.S.C. § 1064 and 15 U.S.C. § 1. Union Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366, 377 (7th Cir. 1976), cert. denied, 429 U.S. 830 (1976) (holding that an incontestable mark is immune from challenge on any grounds not enumerated by Sub-section 1115(b)). Even if this remained a viable affirmative defense given the incontestability status of Plaintiff’s marks, Defendants have offered no evidence to establish their affirmative defense that the marks are generic.

64. The “test for genericness is the ‘primary significance of the mark to the relevant public,’ ...with the relevant public being actual or potential purchasers of the goods in question.” PODS Enterprises, LLC v. U-Haul Int’l, Inc., 126 F. Supp. 3d 1263, 1278 (M.D. Fla. 2015) (quoting 15 U.S.C. § 1064(3)); and citing Miller’s Ale House, Inc. v. Boynton Carolina Ale

House, LLC, 702 F.3d 1312, 1320 (11th Cir.2012); Welding Services, Inc. v. Forman, 509 F.3d 1351, 1358 (11th Cir. 2007)).

65. “A generic name is the term by which the product or service itself is commonly known.” Welding Services, 509 F.3d at, 1358. “Genericness lies not in the term itself, but in the use of the term: ‘A word may be generic of some things and not of others: ‘ivory’ is generic of elephant tusks but arbitrary as applied to soap.’” Id. (citation omitted). The same logic applies to the word “Palace,” which is generically or commonly known as the official home of a king, queen, president, or a very large and impressive house, or a large and fancy public building. “Palace” presumably could not be used as stand-alone trademark for a residence where a king or queen resides. But because “Palace” is not commonly known to refer to an all-inclusive resort or hotel, it follows that it is not a generic term when used by Plaintiff to refer to the Palace Resorts.

(3) The Defendants’ defense of fair use fails.

66. “A fair-use defense is established if a defendant proves that its use is (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith.” See Int’l Stamp Art, Inc. v. U.S. Postal Serv., 456 F.3d 1270, 1274 (11th Cir. 2006) (quoting EMI Catalogue P’ship v. Hill, Holliday, Connors, & Cosmopulos, Inc., 228 F.3d 56, 64 (2d Cir. 2000) (citing 15 U.S.C. § 1115(b)(4))(other citations omitted). In a trademark infringement case, the defendant has the burden of proving its affirmative defenses, such as fair use. See, e.g., Shottland v. Harrison, No. 11-20140-CIV, 2012 WL 2814350, at *5 (S.D. Fla. July 10, 2012) (citing Conagra, Inc. v. Singleton, 743 F.2d 1508, 1516 (11th Cir. 1984)).

67. Applying the fair use factors here, (1) Defendants’ websites includes “Vacation Store Miami” at the top, but this does not definitively establish that Defendants were using the Palace Resort Marks for non-trademark purposes; (2) Defendants’ use of the Palace Resort

Marks goes beyond describing the geographic location of the services, particularly for marks like PALACE RESORTS, MOON PALACE, and SUN PALACE, which do not include geographic identifiers; and (3) Defendants have not acted in good faith because their use of the Palace Resort Marks has already caused *actual* consumer confusion, as identified in Plaintiff's exhibits, and so Defendants have been trading off Plaintiff's goodwill. Notably, Defendants have produced no evidence to meet their burden of establishing fair use.

68. Defendants have provided no authority under the ACPA that establishes a viable fair use defense for use of a registered incontestable trademark in a domain name because of an affiliate relationship with another entity, such as Defendants' relationship with "GoGo."

69. "GoGo" is a wholesaler and has a wholesaler agreement with Heron, just as Vacation Store used to have such a wholesaler relationship with Heron. But the question is not whether Vacation Store can use its relationship with "GoGo" to obtain and use the Palace Resort Marks. Indeed, many travel agents and wholesalers, with or without a contractual relationship with Heron or Palace Resorts, may display the Palace Resort Marks if they do so in a way that complies with fair use. Rather, the question here is whether Vacation Store can use those marks in a manner that causes actual customer confusion and constitutes cybersquatting under the ACPA. Vacation Store does not have the right to use the Palace Resorts in that manner.

(4) The Defendants' defense of prior use fails.

70. Defendants have raised the issue that some of the Infringing Domain Names have initial registration dates pre-dating Plaintiff's first use of some of the Palace Resort Marks and should therefore be considered non-infringing. Specifically, Defendants' Infringing Domain Names of <palacecozumel.com> (created 6/29/2004), <islamujerespalace.com> (created 5/9/2007), <palaceislamujeres.com> (created 5/8/2007), <islamujerespalaceresort.com>

(created 5/9/2007), <palaceplayacar.com> (created 6/29/2004), and <playacarpalace.com> (created 6/29/2004) were registered prior to the first use dates of Plaintiff's COZUMEL PALACE (first use 7/31/2005), ISLA MUJERES PALACE (first use 6/30/2007) and PLAYACAR PALACE (first use 12/15/2005) marks. *See* (Plaintiff's Hearing Exhibit 31, 73-35).

71. The Eleventh Circuit has taken the position that “[i]t would be nonsensical to exempt the bad-faith re-registration of a domain name simply because the bad-faith behavior occurred during a non-initial registration, thereby allowing the exact behavior that Congress sought to prevent. We accordingly will not read additional words into the statute such as initial or creation. The plain meaning of register includes a re-registration. The District Court correctly held that a re-registration falls within the purview of the ACPA.” Jysk Bed’N Linen v. Dutta-Roy, 810 F.3d 767, 778 (11th Cir. 2015) (declining to follow GoPets Ltd. v. Hise, 657 F.3d 1024 (9th Cir. 2011)), in which the Ninth Circuit held that a re-registration after a trademark was registered is not a “registration” for purposes of the ACPA). Similarly, the Middle District of Florida has recognized that “a bad faith intent to profit from a domain name can arise either at the time of registration or at any time afterwards.” Sound Surgical Techs., LLC v. Leonard A. Rubinstein, M.D., P.A., 734 F. Supp. 2d 1262, 1277 (M.D. Fla. 2010). In Jysk Bed’N Linen, the Eleventh Circuit found Dutta-Roy’s conduct to be that of a cybersquatter and affirmed the district court’s issuance of a preliminary injunction. Jysk Bed’N Linen, 810 F.3d at 780.

72. Defendants have renewed and still maintain active registrations for the Infringing Domain Names identified above and have therefore re-registered the domain names *after* the first

use dates of the Palace Resort Marks identified above. Moreover, Defendants continue to “use” the domains with active websites as of the date of this filing.

73. Finally, Defendants “trafficked” in the domain names when they sought to license the domain names to Plaintiff, at a considerable price, well after Plaintiff had trademark rights.

74. Any of these three independent acts—registration (or re-registration), use, or trafficking—is sufficient to trigger liability under the ACPA.

(5) The Relevance of the Incontestability of the Trademarks.

75. To state a claim for Cybersquatting under ACPA, a Plaintiff must establish that (1) the trademarks are distinctive or famous and entitled to protection; (2) Defendants’ domain names are identical or confusingly similar to the trademarks; and (3) Defendants registered or used the domain names with a bad faith intent to profit. Jysk Bed’N Linen, 810 F.3d at 778; Noveshen v. Bridgewater Associates, LP, 47 F. Supp. 3d 1367, 1374-75 (S.D. Fla. 2014).

76. In this case, Plaintiff’s Palace Resort Marks are, at a minimum, distinctive, particularly because as they are registered, incontestable trademarks that are entitled to protection, which satisfies the first element of ACPA.

77. “The taking of an identical copy of another’s distinctive trademark for use as a domain name creates a presumption of confusion among Internet users as a matter of law.” Victoria’s Cyber Secret Ltd. P’ship v. V Secret Catalogue, Inc., 161 F. Supp. 2d 1339, 1351 (S.D. Fla. 2001) (citation omitted).

78. Courts have held that “the slight differences between a domain name and a registered mark, such as the addition of minor or generic words to the disputed domain name, are irrelevant.” Victoria’s Cyber Secret, 161 F. Supp. 2d at 1351 (citation omitted); Ford Motor Co. v. Greatdomains.Com, Inc., 177 F. Supp. 2d 635, 642 (E.D. Mich. 2001) (holding “unless words

or letters added to the plaintiff's mark within the domain name clearly distinguish it from the plaintiff's usage, allegations that a domain name incorporates a protected mark generally will suffice. . . .").

79. In this case, while not all of Defendants' Infringing Domain Names are identical to Plaintiff's Palace Resort Marks, they all incorporate the protected Palace Resort Marks in some way, which satisfies the second element of ACPA.

80. The ACPA establishes nine factors to consider when determining whether a domain has been registered or used in "bad faith" with an intent to profit from a mark in registering or using the mark in a domain name: (1) the trademark or other intellectual property rights of the person, if any, in the domain name; (2) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person; (3) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services; (4) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name; (5) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site; (6) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct; (7) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the

person's prior conduct indicating a pattern of such conduct; (8) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and (9) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c) (1) of 15 U.S.C. § 1125(d) (1) (B) (i). 15 U.S.C. § 1125(d)(1)(B)(i); Jysk Bed'N Linen, 810 F.3d at 778; Victoria's Cyber Secret, 161 F. Supp. 2d at 1346.

81. Ultimately, each of these factors address whether "the defendant's use of the disputed domain name is legitimate – *i.e.*, for some purpose other than simply to profit from the value of the trademark." Ford Motor Co., 177 F. Supp. 2d at 642.

82. In this case, Plaintiff has established the following ACPA bad faith factors:

- a. First, Defendants acknowledge in the Wholesale Agreement, and this Court finds under these facts, that Defendants have no intellectual property rights to the Palace Resort Marks incorporated into the Infringing Domain Names.
- b. Second, Defendants acknowledge in the Wholesale Agreement, and this Court finds under these facts, that Defendants have none of the Infringing Domain Names consist of the legal name of any of the Defendants.
- c. Third, the Defendants' use of the Infringing Domain names is clearly commercial use intended to divert web traffic and profits from Plaintiff.
- d. Fourth, Defendants clearly registered and use the Infringing Domain Names to divert consumers from Plaintiff's website.
- e. Fifth, under the Wholesale Agreement, and under these facts, it is clear that Defendants registered the Infringing Domain Names with knowledge that they were dilutive of Plaintiff's marks.

f. Sixth, Defendant's offer to transfer, sell, or otherwise assign certain Infringing Domain Names to the Plaintiff, in response to Plaintiff's multiple cease and desist demands, for \$96,000 per year was for Defendants' financial gain and without a bona fide justification. (Plaintiff's Exhibit 17, D.E. 73-17).

g. Seventh, Defendants' conduct in registering, using and trafficking in the Infringing Domain Names, was willful and an intentional act.

(6) The Defendants' defense that the word "Palace" cannot be trademarked fails.

83. At the December 5, 2016 hearing on Plaintiff's Motion for Preliminary Injunction, Defendants argued that the 11th Circuit held in Bavaro Palace, S.A. v. Vacation Tours, Inc., 203 Fed. App'x. 252 (11th Cir. 2006), that the "word 'palace' is not a protected word." (Transcript of December 5, 2016 hearing, 67:22-23). Specifically, Defendants argued that under Bavaro Palace "the generic industry term, 'palace', which means an upscale hotel" "is not capable of being trademarked. . . ." (*Id.* at 69:5-10). However, nowhere in that case does the Court rule that the term "PALACE" can *never* be trademarked. And even if 15 U.S.C. § 1115(b) did not preclude this defense, Defendants' representation to the Court that the Bavaro Beach case prevents trademark protection of the word Palace in all cases, rather than simply as a matter of the failure of proof by Plaintiff in the Bavaro Beach case, is simply not true.

84. In Bavaro Palace, the Plaintiff did not have a registered trademark to BAVARO PALACE, let alone an incontestable trademark, and would therefore have to establish secondary meaning for trademark protection. See Bavaro Palace, 203 Fed. App'x. at 255-6. Upholding the District Court, the Eleventh Circuit found that Plaintiff "could not prevail on its Lanham Act claim because *it could show neither* secondary meaning *nor* likelihood of confusion" and "had *failed to prove* any of the elements necessary for its Anticybersquatting Consumer Protection Act claim." *Id.* at 255 (emphasis added).

85. The four primary types of trademarks—falling along a spectrum from those deserving the most protection to those deserving less protection—are (1) coined, fanciful, or arbitrary marks (like “Google”); (2) suggestive marks; (3) descriptive marks; and (4) generic marks. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992). In this case, the Court need not assess the type of marks, since Plaintiff’s Palace Resort Marks have become incontestable, thus precluding Defendants’ from arguing that the word PALACE is merely descriptive.

86. “Palace” is not a merely descriptive term and is capable of being trademarked. For instance, Courts have held that because marks such as CAESARS PALACE are “not the official residence of a sovereign the use of ‘palace’ in connection with a casino hotel is arbitrary and fanciful and capable of identifying the source of the services offered.” Trump v. Caesars World, Inc., 645 F. Supp. 1015, 1020 (D.N.J. 1986), aff’d sub nom. Trump v. Caesars World, Inc., 819 F.2d 1135 (3d Cir. 1987). The Nebraska District Court also found that “the words [CAESARS PALACE] used to denote the services provided by the plaintiffs are arbitrary, unique and non-descriptive.” Caesars World, Inc. v. Caesar's Palace, Inc., No. CV71-0-178, 1973 WL 19904, at *4 (D. Neb. May 23, 1973).

87. In this case, all of the Palace Resort Marks identified above in Paragraph 8 have obtained incontestable status, including marks using the term “Palace.” Therefore, any arguments attacking the Palace Resort Marks for their descriptiveness are without merit.

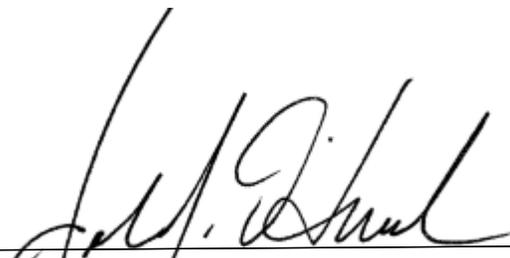
IV. CONCLUSION

In accordance with the foregoing, the undersigned respectfully recommends that the Plaintiff, Heron Development Corporation’s Motion for Preliminary Injunction (DE# 21, 9/15/16) be GRANTED solely as to Count I (Anticybersquatting Consumer Protection Act).

This Court should grant a preliminary injunction, during the pendency of this action, to (1) prohibit Defendants' registration of domain names which incorporate, in whole or in part, the Palace Resort registered trademarks that have become incontestable, and (2) require Defendants to change the Domain Name Service ("DNS") settings on all the Infringing Domain Names to forward website traffic to the appropriate Palace Resort webpage. (Mot. Prelim. Inj., D.E. 21, p. 5). For example, Defendants' Infringing Domain Name <<http://www.beachpalacecancunhotel.com>> would be forwarded to Plaintiff's website for the Beach Palace in Cancun <<http://www.palaceresorts.com/beachpalace/en>>.

The parties will have fourteen (14) days from the date of being served with a copy of this Report and Recommendation within which to file written objections, if any, with the Honorable Federico A. Moreno, United States District Judge. Failure to file objections timely shall bar the parties from a *de novo* determination by the District Judge of an issue covered in the Report and shall bar the parties from attacking on appeal unobjected-to factual and legal conclusions contained in this Report except upon grounds of plain error if necessary in the interest of justice. See 28 U.S.C. § 636(b)(1); Thomas v. Arn, 474 U.S. 140, 149 (1985); Henley v. Johnson, 885 F.2d 790, 794 (1989); 11th Cir. R. 3-1 (2016).

RESPECTFULLY SUBMITTED at the United States Courthouse, Miami, Florida this 13th day of April, 2017.



JOHN J. O'SULLIVAN
UNITED STATES MAGISTRATE JUDGE

Copies provided to:
United States District Judge Moreno
All Counsel of Record