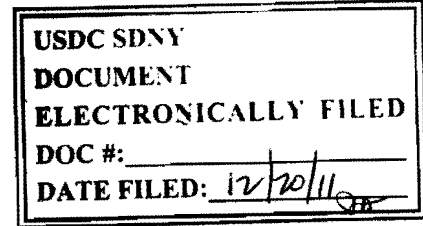
Lebewohl et al v. Heart Attack Grill LLC et al Doc. 38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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JEREMY LEBEWOHL et al.,

Plaintiff,

-v-

HEART ATTACK GRILL, LLC et al.,

Defendants.

11 Civ. 3153 (PAE)

ORDER

PAUL A. ENGELMAYER, District Judge:

The Court has received defendants' December 6, 2011 letter requesting entry of summary judgment for the defense on plaintiffs' claim for declaratory relief (attached). The Court has also received plaintiffs' December 9, 2011 letter opposing that motion (attached).

A pre-motion conference is hereby scheduled for January 4, 2011, at 3:00 p.m. in Courtroom 18C at the U.S. Courthouse, 500 Pearl Street, New York, New York 10007, to discuss defendants' motion for summary judgment. At the conference, the parties should also be prepared to address defendants' motion to dismiss their counterclaims without prejudice.

SO ORDERED.

Paul A. Engelmayer
United States District Judge

Dated: December 20, 2011
New York, New York

Dockets.Justia.com

Kain & Associates
Attorneys at Law

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900 Southeast Third Avenue, Suite 205
Fort Lauderdale, Florida 33316
Telephone: (954) 768-9002
Facsimile: (954) 768-0158

www.ComplexIP.com
Robert C. Kain, Jr. rkain@ComplexIP.com
Darren Spielman dspielman@ComplexIP.com

December 6, 2011
(Federal Express)

Paul A. Engelmayer
United States District Judge
United States District Court
Southern District of New York
500 Pearl Street, Room 670
New York, NY 10007
(212) 805-4893

Re: Lebewohl, 2nd Ave Deli v. Heart Attack Grill, LLC., HAG, LLC, and Jon Basso
U.S. District Court, S.D. New York, Case No. 11-CIV-3153-PAE-JCF
Our Ref.: 5087-23

Dear Judge Engelmayer:

We represent Defendants HAG in this action. HAG seeks to move for summary judgment at this time.

HAG has filed a motion to voluntarily dismiss all counterclaims (Counts I - IV) pursuant to Fed.R.Civ.P. 41(a)(2). The only remaining claim is 2nd AVE DELI's sole declaratory relief claim seeking a declaration of "no infringement." As set forth herein, (A) this Court no longer has a jurisdictional basis to keep this case because all violations occurred in New York City and there is no evidence of interstate commerce use of the asserted terms; and (B) JON BASSO (Defendant, trademark owner and manager-owner of the corporate Defendants) has filed a declaration that, based upon the current evidence, there is no likelihood of confusion.

Defendants sent Plaintiffs a cease and desist letter asserting trademark infringement then Plaintiffs suddenly sued Defendants in New York seeking only a declaration of no infringement (no damages requested). Complaint D.E. 12. Defendants counterclaimed asserting federal trademark dilution; and declaratory relief relating to (i) Plaintiffs' pending federal trademark applications; (ii) Plaintiffs' expansion of its use of certain terms; and (iii) relief for concurrent use relative to the term "heart attack." In light of the collected documentary evidence and Plaintiffs' responses to Defendants' Requests to Admit Nos. 1 - 114, Defendants filed a motion to voluntarily dismiss the

counterclaims without prejudice and now with this motion for summary judgment, seek a complete dismissal of Plaintiffs' complaint which only seeks a declaration of non-infringement.

LAW

To support a claim of trademark infringement, one must establish either actual consumer confusion or the likelihood of consumer confusion under a two-prong test. Gruner + Jahr USA Publ'g v. Meredith Corp., 991 F.2d 1072 (2d Cir. 1993). First, does plaintiff's mark merit protection. Second, is defendant's use of a similar mark likely to cause consumer confusion. Id., see also Erchonia Corp. v. Bissoon, 410 Fed. Appx. 416, 418 (2d Cir. N.Y. 2011); Tiffany Inc. v. eBay, Inc., 600 F.3d 93 (2d Cir. N.Y. 2010).

In the case at bar, given JON BASSO's Declaration, currently there is no evidence of confusion nor likelihood of confusion. "In order to state a claim under § 1125(a) [15 U.S.C. § 1125 of the Federal Trademark Act] the plaintiff must allege that the false description or association will result in a likelihood of consumer confusion." Silverstar Enterprises, Inc. v. Aday, 537 F. Supp. 236, 241-242 (S.D.N.Y. 1982), citing Exquisite Form Industries, Inc. v. Exquisite Fabrics of London, 378 F. Supp. 403, 410, 413 (S.D.N.Y.1973).

Further, since Defendants have moved to voluntarily dismiss all counterclaims, there is no standing for this Court to rule on this dispute since the parties agree the only violations occur in New York City. The alleged mark "The Instant Heart Attack Sandwich" is never used in interstate commerce. "Both § 32 and § 43(a) prohibit the 'use in commerce' of a registered mark or false description of fact, respectively. The phrase 'use in commerce' is defined in 15 U.S.C. § 1127, and distinguishes between uses in commerce that relate to goods and those that relate to services. See Rescuecom Corp. v. Google Inc., 562 F.3d 123, 139 (2d Cir. 2009). A mark is used in commerce on goods when 'it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale,' and on services 'when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.' 15 U.S.C. § 1127. Famous Horse does not claim that Appellees attached the V.I.M. mark to the goods they were selling. Famous Horse thus did not state a claim for trademark infringement under § 32 with respect to Appellees' sale of goods." Famous Horse Inc. v. 5th Ave. Photo Inc., 624 F.3d 106 (2d Cir. N.Y. 2010). This Court's jurisdiction can only be based upon interstate activity and when JON BASSO states "there is no likelihood of confusion" given the documents produced to date, and all parties agree that any alleged violation of rights occurred only in New York City, there is no interstate commerce dispute. Silverstar Enterprises, Inc. v. Aday, 537 F. Supp. 236, 241-242 (S.D.N.Y. 1982)(the court dismissed the trademark infringement case when both the plaintiff and defendant were planning to buy branded product from the same supplier, because there would be no consumer confusion when the supplier was authorized by the trademark owner).

FACTS

In March 2011, HAG sent 2nd AVE DELI a cease and desist letter regarding HAG's federally registered marks HEART ATTACK GRILL and TRIPLE BYPASS BURGER; and 2nd AVE DELI's federal trademark applications for "Instant Heart Attack Sandwich" (hereinafter "IHAS") and "Triple Bypass Sandwich". 2nd AVE DELI sued HAG on May 10. Its complaint, D.E. 12, alleges that it used IHAS since 2004 but discovery has revealed no written records to support that contention. "Triple Bypass Sandwich" has never been used by 2nd AVE DELI. See RTA Admission No. 27 ("Plaintiffs never sold any goods under the Triple Bypass Sandwich trademark"). As for documents of use of IHAS, none exist prior to April 2008. See RTA No. 1. Other than a single memo for a press release (Bates page PLF 0431-32), a website and menus listing the food product IHAS, there is no evidence of interstate use of IHAS by 2nd AVE DELI. See RTA No. 10 - 12. There is no documentary evidence that the press release memo was ever published ANYWHERE. IHAS is not used on any signs or displays in the restaurant. RTA Nos. 73 - 77. The term is not used in television or radio ads, nor on FaceBook, My Space, Twitter or other social media. RTA Nos. 79 - 84. 2nd AVE DELI cannot locate any magazine or newspaper articles that discuss IHAS (RTA Nos. 89 - 91) and has not produced any documentary evidence that the term has been used in any television shows or magazines or newspaper articles which discuss general aspects of the 2nd AVE DELI restaurants. Most importantly, 2nd AVE DELI admits that there is no confusion nor likelihood of confusion. RTA No. 110, see also, Complaint ¶ 29 ("There is no likelihood of confusion").

The parties admitted certain facts in their respective pleadings. **(a)** Compl't ¶ 13: "Plaintiffs ... operate a 2ND AVE DELI restaurant in New York." Ans. ¶ 13: "HAG admits that 2nd Ave Deli operates two restaurants in New York City and denies all other allegations in paragraph 13." **(b)** Compl't ¶ 14: "... The 2nd Ave Deli operates only within New York." Ans. ¶ 14: "HAG admits that 2nd AVE DELI operates only in New York..." **(c)** Compl't ¶ 15: "... All of the alleged violations occurred in New York City." Ans. ¶ 15: "HAG admits that the March 29, 2011 letter asserted its rights and admits that 'All of the alleged violations occurred in New York City' as indicated in paragraph 15 of the Complaint." **(d)** Compl't ¶ 29: "... Defendants operate solely in Las Vegas, Nevada, and the 2nd Ave Deli operates solely in New York City. ..." Ans. ¶ 29: "Admitted ... that 2nd AVE DELI 'operates solely in New York City' but HAG denies the remaining allegations ..."

BASSO's Declaration states that, based upon the documentary evidence produced in this litigation at ths time, there is no actual consumer confusion nor is there a likelihood of consumer confusion. Therefore, the statements in the cease and desist letter are not longer a threat of infringement. There is no current federal trademark infringement. More importantly, since both parties agree that the only violations of law, if any, occur in New York City, this Court lacks any jurisdictional basis, that is standing, to rule on this dispute.

WHEREFORE, HAG requests entry of summary judgment and dismissal of this action.

Sincerely,
/s/ RobertKain
Robert C. Kain, Jr., for the Firm

RCK/cjp
cc: William Chuang, Esq. via email

JAKUBOWITZ & CHUANG LLP

ATTORNEYS AT LAW

401 BROADWAY, SUITE 408	WILLIAM W. CHUANG	(347) 542-8529	WILLIAM@JCLAWLLP.COM
NEW YORK, NY 10013	TOVIA JAKUBOWITZ	(347) 370-9585	TOVIA@JCLAWLLP.COM

December 9, 2011

BY FEDEX

Hon. Judge Paul A. Engelmayer
U.S. District Court, Southern District of New York
500 Pearl Street
New York, NY 10016

RE: Lebewohl et al. v. Heart Attack Grill LLC, et al., Case No. 11-cv-3153.

Dear Judge Engelmayer:

My firm represents Plaintiffs 2nd Ave Deli. I write to oppose HAG's motion for summary judgment proposed in its December 6 letter to the Court.

HAG argues that since it has filed a motion to voluntarily dismiss all counterclaims, the only controversy before the Court is the Plaintiffs' claim for a declaratory judgment of non-infringement of the HAG Marks. HAG claims that if its motion to dismiss is granted, the Court would lack subject matter jurisdiction as the Deli operates only in New York. In support, Jon Basso offers a carefully limited declaration to the effect that there is no likelihood of confusion because the Deli's actions do not constitute a use in interstate commerce.

HAG's reasons for summary judgment are misplaced. Undoubtedly, HAG would quickly reinterpret the reach of the Lanham Act if one were to open an unlicensed Heart Attack Grill in the heart of Times Square selling Triple Bypass Burgers carried out to patrons by waitresses in nurse costumes. As the Second Circuit noted a long time ago:

> *If a registrant's right to employ its trademark were subject within every state's borders to preemption or concurrent use by local business, the protection afforded a registrant by the Lanham Act would be rendered virtually meaningless. Therefore we think it is within Congress' "necessary and proper" power to preclude a local intrastate user from acquiring any right to use the same mark.*

Dawn Donut Company v. Hart's Food Stores, Inc., 67 F.2d 358, 365 (2d Cir. 1959).

This result follows because Congress defined "commerce" for the purposes of the Lanham Act to be coterminous with its powers to legislate under the Commerce Clause. United We

Stand Am. V. United We Stand, America NY, 128 F.3d 86, 92 (2d Cir. 1997); 15 U.S.C. § 1127. And the Commerce Clause has been consistently interpreted as a sufficient basis for Congress to regulate wholly intrastate conduct. Katzenbach v. McClung, 379 US 294, 302 (1964) (holding that a single restaurant was still subject to legislation promulgated under the Commerce Clause); United We Stand Am., 128 F.3d at 93 (rejecting the notion that wholly intrastate conduct is beyond the reach of the Lanham Act).

Despite HAG's insinuation to the contrary, the Deli has been using the "Instant Heart Attack Sandwich" mark as a trademark—that is, to designate itself as the source. Under the Lanham Act, a mark is used in commerce on goods when "(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce..." 15 U.S.C. § 1127. It is impracticable to affix a mark to the Instant Heart Attack Sandwich, which is served without a container. Accordingly, the mark is used on menus and on the Deli's website under a picture of the Sandwich. As for the second prong, the Instant Heart Attack Sandwich is sold in interstate commerce, for the reasons set forth above in United We Stand Am. and Dawn Donut.

Indeed, HAG's conduct before the USPTO undermines its current interpretation of the Lanham Act. In its trademark application, HAG claims a first use in commerce of the marks "Heart Attack Grill" and "Triple Bypass Burger" on October 1, 2005. (HAG—000001, HAG—000005).[1] At that time, HAG was located only in Chandler, Arizona. Moreover, the Triple Bypass Burger is presented without any label bearing the mark. (HAG—000019).

While both parties—for the time being, anyway—agree that there is no likelihood of confusion, they reach that conclusion for very different reasons, which leads to different results. Mr. Basso incorrectly believes that the Deli's wholly intrastate conduct is beyond the reach of the Lanham Act. In contrast, the Deli believes that there is no likelihood of confusion because it operates in New York while HAG operates in Nevada. In fact, the Deli has the right to exclude HAG from spreading into New York, as this may cause a likelihood of confusion. Weiner King, Inc. v. Wiener King Corp., 615 F. 2d 512, 525-526 (CCPA 1980) (holding that the senior user of a mark could exclude a first-to-file junior user from the senior user's zone of reputation or probable expansion). The Deli started using the Instant Heart Attack Sandwich mark before HAG began using or registered the Heart Attack Grill mark, and the Deli has continued the use of the mark to the current day. Consequently, the Deli has superior rights to the marks with respect to at least the New York market.

It also must be pointed out that the factual allegations in HAG's letter are flatly incorrect. Contrary to HAG's assertions otherwise, the Deli has provided documents demonstrating the use of the Instant Heart Attack mark prior to April 2008.[2] A copy of the menu offering the Instant Heart Attack Sandwich (PLFS000089) and the invoice for the menu dated

[1] Copies of all documents referred to herein are enclosed for the Court's reference.
[2] RTA No. 1 deals with sales documents. An upgrade to the Deli's point of sale systems in April 2008 resulted in the loss of sales information for the Instant Heart Attack Sandwich prior to that date.

August 10, 2005 (PLFS000091) were produced. Moreover, a review of the Instant Heart Attack Sandwich dated May 19, 2004 published on Chowhound (PLFS000096-97) shows that the Sandwich was sold to the public since at least that date. A picture on the Deli's website shows an Instant Heart Attack Sandwich with the caption "A 2nd Ave Deli Original, the Instant Heart Attack Sandwich: it's pastrami on...drum roll...potato pancakes. Worth the hospital bills.") (PLFS000670). Clearly, the Deli has used the Instant Heart Attack Sandwich mark in connection with the product to designate itself as the commercial source thereof. In other words, the Deli has used the mark as a trademark in interstate commerce since at least 2004.

Furthermore, contrary to HAG's misstatement of RTA Nos. 89-91, there are newspaper articles that discuss IHAS.[3] A quick Internet search yielded a Bloomberg article regarding the Deli dated December 18, 2007 that mentions the Instant Heart Attack Sandwich.[4] There is also a New York Times article on the Deli dated January 6, 2006 that also mentions the "mammoth Instant Heart Attack."[5]

Lastly, HAG's motion to dismiss its counterclaims without prejudice at this stage of the litigation should be denied. The Deli has already spent much time and effort defending these claims. All of the information upon which HAG relies upon for its motion to dismiss has been in its possession for months. In particular, the fact that the Deli conducts its business solely in NY was alleged in the Complaint. Allowing HAG to re-file its claims at a later date would frustrate the Deli's efforts to clarify its rights with respect to the HAG Marks. The Deli will set forth its arguments in more detail in its papers responsive to the motion.

For these reasons, the Deli respectfully submits that HAG's request for summary judgment should be denied.

Very Truly Yours,

William W. Chuang. Esq.

Enclosures (8)

CC: Robert Kain. Counsel for Defendants. (By Email)
Darren Spielman. Counsel for Defendants. (By Email)

[3] Plaintiff's response to RTA No. 91 states: "Plaintiffs have not had any newspaper articles prepared for them in which the term Instant Heart Attack Sandwich appears, but believe that there may be newspaper articles that refer to the Instant Heart Attack Sandwich." This language tracks HAG's Request To Produce No. 44, which requests newspaper articles *"prepared by or for the Deli"* in which the term Instant Heart Attack Sandwich was used.

[4] http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOdoA5_8cmPE&refer=muse

[5] http://www.nytimes.com/2006/01/06/nyregion/06deli.html