

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JEREMY LEBEWOHL, UNCLE ABIES DELI
INC. d/b/a 2nd AVE DELI, UNCLE ABIES
DELI ON FIRST INC., UNCLE ABIES DELI
SANDWICH TRADEMARKS LLC, and
JACK LEBEWOHL

CIVIL ACTION NO: 11-CIV-3153-
PAE-JCE

Plaintiffs,

v.

HEART ATTACK GRILL LLC, HAG LLC,
JON BASSO, and DIET CENTER LLC
(Texas), and DIET CENTER LLC (Delaware)

Defendants.

**DEFENDANTS' OPPOSITION TO
PLAINTIFFS' MOTION TO AMEND JUDGMENT**

Defendants, HEART ATTACK GRILL LLC, HAG LLC, JON BASSO, DIET CENTER LLC (Texas), and DIET CENTER LLC (Delaware), (collectively, "Defendants" or "HAG"), hereby oppose Plaintiffs,' JEREMY LEBEWOHL, UNCLE ABIES DELI INC. d/b/a 2nd AVE DELI, UNCLE ABIES DELI ON FIRST INC., and UNCLE ABIES DELI SANDWICH TRADEMARKS LLC (collectively "Plaintiffs" or "DELI") motion to amend the final judgment, D.E. 82. The Court entered final judgment, D.E. 79, after its summary judgment order, D.E. 78, regarding DELI's INSTANT HEART ATTACK SANDWICH mark (the "IHAS mark") and the TRIPLE BYPASS SANDWICH ("TBS") mark.

Table of Contents

ARGUMENT 6

A. DELI’s Motion for Reconsideration Seeks to Reargue The Case. 6

B. The Court Has Authority To Enter A Concurrent Use Order Under Common Law
..... 8

C. DELI’s Demand For Declaratory Judgment Triggered The Court’s Inherent Powers
And The Concurrent Use Order Was Within The Court’s Power To Adjudicate The
Dispute Between The Parties 11

D. DELI’s Reliance On An Email Discussing Settlement Is Not Proper. 14

E. DELI Used Inadmissible and Confidential Correspondence in its Motion. 15

 1. The Email is Inadmissible Evidence as Compromise Negotiation Correspondence.
 15

F. Conclusion. 17

Table of Citations

American Safety Equip. Corp. v. J.P. Maguire & Co., 391 F.2d 821, 824 (2d Cir. 1968). 11

Arista Records LLC v. Lime Group LLC, 784 F. Supp. 2d 398, 418 (S.D.N.Y. 2011). 16

Broadview Chemical Corp. v. Loctite Corp., 417 F.2d 998, 1001 (2d Cir. 1969).. 12

Chevron Corp. v. Salazar, 2011 U.S. Dist. LEXIS 92091, 2011 WL 3628843 (S.D.N.Y. Aug. 17, 2011). 12

Cohen v. Koenig, 932 F. Supp. 505, 506 (S.D.N.Y. 1996).. 7

Cordero v. Astrue, 574 F. Supp. 2d 373, 379-80 (S.D.N.Y. 2008).. 7

Diematic Mfg. Corp. v. Packaging Industries, Inc., 516 F.2d 975, 978 (2d Cir.), cert. denied, 423 U.S. 913 (1975). 11

Dow Jones & Co. v. Harrod’s, Ltd., 237 F. Supp. 2d 394, 405 (S.D.N.Y. 2002) (footnote omitted), aff’d, 346 F.3d 357 (2d Cir. 2003).. 12

Duane Reade, Inc. v. St. Paul Fire and Marine Ins. Co., 411 F.3d 384, 389 (2d Cir. 2005). 12

Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc., 2011 U.S. Dist. LEXIS 97703 (S.D.N.Y. Aug. 31, 2011).. 16

Fort Howard Paper Co. v. William D. Witter, Inc., 787 F.2d 784 (2d Cir. 1986). 12

Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916).. 8

Health Mgmt. Sys. Inc. Sec. Litig., 113 F. Supp. 2d 613, 614 (S.D.N.Y. 2000).. 6

Hicks v. Baines, 593 F.3d 159, 164 (2d Cir. N.Y. 2010).. 15

Kidder, Peabody & Co., Inc. v. Maxus Energy Corp., 925 F.2d 556, 562 (2d Cir. 1991). 12

Knox v. Orascom Telecom Holding S.A.E., 242 F.R.D. 251 (S.D.N.Y. 2007). 7

Pierce v. F.R. Tripler & Co., 955 F.2d 820, 827 (2d Cir. N.Y. 1992).. 16

Rein v. Socialist People's Libyan Arab Jamahiriya, 568 F.3d 345, 351 (2d Cir. 2009).. 16

Rockland Power & Light Co. v. City of New York, 289 N.Y. 45, 51 (1942).. 12

Sanluis Developments, L.L.C. v. CCP Sanluis, L.L.C., 556 F.Supp.2d 329 (S.D.N.Y.2008). . . .	7
Shearard v. Geithner, 2010 U.S. Dist. LEXIS 53255, 2010 WL 2243414, at *1 (E.D.N.Y. May 30, 2010).	6, 16
Shrader v. CSX Transp., Inc., 70 F.3d 255, 257 (2d Cir. 1995).	6
Spartan Food Sys., Inc. v. HFS Corp., 813 F.2d 1279 (4th Cir. 1987).	8
Terry v. Ashcroft, 336 F.3d 128, 138 (2d Cir. N.Y. 2003).	15
Trebor Sportswear Co. v. Limited Stores, Inc., 865 F.2d 506, 510-11 (2d Cir. 1989).	16
United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 103 (1918).	9
Virgin Atl. Airways, Ltd. v. Nat'l Mediation Bd., 956 F.2d 1245, 1255 (2d Cir. 1992).	7
Yurman Design Inc. v. Chaindom Enterprises, Inc., , 2003 WL 22047849, (S.D.N.Y. 2003). . . .	8
Yurman Design, Inc. v. Chaindom Enters., 2003 U.S. Dist. LEXIS 15070 (S.D.N.Y. Aug. 28, 2003)	7
15 U.S.C. § 1057(c)	10
15 U.S.C. § 1115(a) and (b).	10
Fed. R. Civ. P. 59(e).	7
Fed. R. Evid. 408	15
S.D.N.Y. Civ. R. 6.3.	7
William Jay Gross, "The Territorial Scope of Trademark Rights," 44 U. MIAMIL. REV. 1075, 1093 (1990).	10
OHIO STATE LAW JOUR., Vol. 64:617 p. 625-26 (2000), at http://moritzlaw.osu.edu/ students/groups/oslj/files/2012/03/64.2.nupp_.pdf	9
McCarthy on Trademarks and Unfair Competition § 26:2 (4th ed. 2012)..	8
McCarthy, § 26:11.	10
McCarthy, § 26:27.	10,11

J. Weinstein & M. Berger, Weinstein's Evidence, ¶ 408[05], at 408-31 (1988). 16

David S. Welkowitz, "The Problem of Concurrent Use of Trademarks: An Old/New Proposal," 28
U. RICH. L. REV. 315, 321 (1994). 9

ARGUMENT

DELI moved to amend this Court's final judgment, D.E. 79, reasoning that the Court's concurrent use order is manifestly unjust. DELI argues that HAG's counsel continues to bully DELI over concurrent use issues that may arise in the future, in a different jurisdiction (the USPTO), in a post-judgment "meet and confer" email sent by HAG's counsel to DELI's counsel. Based on the email, DELI argues that the Court's concurrent use order is manifestly unjust, requiring amendment of its judgment. However, as pointed out below, if DELI's position is accepted by the Court, both the final judgment, D.E. 79, and the 36 page summary judgment order, D.E. 78, must be amended. In the rare event that the Court considers amending the summary judgment order, HAG respectfully requests that the Court permit it to file a supplemental brief with analysis of the summary judgment hearing transcript. The seven (7) day response period set by the Court to respond to the motion is inadequate to obtain the transcript. In summary, the Court's decision is correct regarding the IHAS mark, is correct under long standing precedential decisions, and there are no new facts, beyond those presented by the parties in the summary judgment motions, that support amendment of the judgment.

A. DELI's Motion for Reconsideration Seeks to Reargue The Case

Reconsidering a final judgment is an "extraordinary remedy to be employed sparingly in the interests of finality and conservation of scarce judicial resources." *In re Health Mgmt. Sys. Inc. Sec. Litig.*, 113 F. Supp. 2d 613, 614 (S.D.N.Y. 2000). The Second Circuit has held that a Rule 59(e) motion to alter or amend a judgment, like a motion under Local Civil Rule 6.3 for reconsideration, is generally denied "unless the moving party can point to controlling decisions or data that the court overlooked," and which the movant could reasonably believe would have altered the court's original decision. *Shrader v. CSX Transp., Inc.*, 70 F.3d 255, 257 (2d Cir. 1995); see also *Shearard v.*

Geithner, 2010 U.S. Dist. LEXIS 53255, 2010 WL 2243414, at *1 (E.D.N.Y. May 30, 2010). “The major grounds justifying reconsideration are ‘an intervening change in controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.’” *Cordero v. Astrue*, 574 F. Supp. 2d 373, 379-80 (S.D.N.Y. 2008) (quoting *Virgin Atl. Airways, Ltd. v. Nat'l Mediation Bd.*, 956 F.2d 1245, 1255 (2d Cir. 1992)).

“Neither Fed. R. Civ. P. 59(e) or S.D.N.Y. Civ. R. 6.3 is appropriate vehicle to advance new facts, issues or arguments not previously presented to court.” *Knox v. Orascom Telecom Holding S.A.E.*, 242 F.R.D. 251 (S.D.N.Y. 2007). “New facts, issues, or arguments not previously presented to the court may not be presented on a motion under rule governing alteration or amendment of judgment.” *Sanluis Developments, L.L.C. v. CCP Sanluis, L.L.C.*, 556 F.Supp.2d 329 (S.D.N.Y.2008). “Rule 6.3 is not meant as a substitute for a direct appeal or as an opportunity to reargue the original motion. Motions to reconsider are not granted where the moving party is simply looking to relitigate an issue already decided.” *Yurman Design, Inc. v. Chaindom Enters.*, 2003 U.S. Dist. LEXIS 15070 (S.D.N.Y. Aug. 28, 2003)(citing *Cohen v. Koenig*, 932 F. Supp. 505, 506 (S.D.N.Y. 1996)).

In *Shrader*, a motion for reconsideration was appropriate in light of new case law and legislative history on the statute at issue. *Shrader*, 70 F.3d at 255. In *Sanluis*, the court overlooked a question on the effect of dismissal and reconsideration was proper. See *Sanluis*, 556 F.Supp. 2d 329. In *Cordero*, the court refused to reconsider the arguments based on new theories not previously raised before the court. See *Cordero*, 574 F.Supp. 2d 373. Lastly, in *Knox*, plaintiffs asserted that a misquotation by the court amounted to the misapplication of the case law. The court, acknowledged that it was cognizant of certain factual distinctions, but ruled that plaintiffs

misdirected their argument to the parties' relationships. The court denied the motion. Knox, 242 F.R.D. 251.

In a copyright infringement action, reconsideration was denied because it “rehashed arguments made and issues decided on original motion, [] when court considered and rejected the arguments advanced by competitor in dismissing defenses, ... and [the court] did not overlook any controlling decisions or factual matters put before it.” Yurman Design Inc. v. Chaindom Enterprises, Inc., , 2003 WL 22047849, (S.D.N.Y. 2003).

DELI's motion does not present new law overlooked by the Court and does not identify facts ignored or misstated in the summary judgment order. There are no grounds to amend the judgment with respect to the IHAS.

B. The Court Has Authority To Enter A Concurrent Use Order Under Common Law

The Court's concurrent use order, whether in reference to the summary judgment order, D.E. 78, or the final judgment, D.E. 79, was proper under common law with respect to the IHAS mark.

The U.S. Supreme Court, in Hanover Star Milling Co. v. Metcalf, 240 U.S. 403 (1916), outlined the common law doctrine of geographic concurrent use, the basis for the current law. See, e.g., 5 McCarthy on Trademarks and Unfair Competition § 26:2 (4th ed. 2012)(citing Spartan Food Sys., Inc. v. HFS Corp., 813 F.2d 1279 (4th Cir. 1987)). In Hanover, the court refused to enjoin a junior user of the “Tea Rose” mark, rejecting a common law “first in time” property right for trademarks that would have accorded exclusive nationwide rights in a mark to the first user anywhere in the nation. Hanover, 240 U.S. at 415. The court's decision protected a junior user who had innocently used the mark in a remote area. The Supreme Court stated: “[W]here two parties independently are employing the same mark upon goods of the same class, but in separate markets

wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user. . . .” Id.

The Court noted the circumstances of the case in deciding to protect the junior party’s innocent use. Defendant, Hanover Star Milling Company, showed that since at least 1904 it had pursued a “vigorous and expensive campaign of advertising” its Tea Rose brand of flour such that it established a sizable business in the market consisting of the State of Alabama, and parts of Mississippi Georgia, and Florida. Plaintiff, Allen & Wheeler Company, showed that its predecessor in interest had adopted the Tea Rose mark in 1872, and that it had used it in some capacity until Allen & Wheeler succeeded in rights to the mark in 1904. However, Allen & Wheeler was only able to prove limited use of the mark in the forty years preceding the dispute, consisting only of a few sales to customers in Cincinnati, Pittsburgh, and Boston. The Court first affirmed that the primary purpose of granting a right to exclusive use of a mark to a party was to prevent another’s “palming off” the other’s goods as his own—that is, misappropriating some of the party’s goodwill represented by the mark. The Court then concluded that such goodwill, and the property rights in it and the mark, only derive from the use of the mark. That is, in the Court’s opinion common law trademark rights are not rights in gross— nobody can have rights in a mark per se—but in the goodwill that ensues from using the mark. Moreover, the Court noted that the territorial extent of the goodwill of a mark—the area where a trademark owner is entitled to protection— is defined by the area where that mark has either been used or where its reputation has become known. As such, the Court held that a junior user of a mark who adopted the mark in a “wholly remote” market in good-faith is entitled to continue using the mark.

Robert Nupp, “Concurrent Use of Trademarks on the Internet: Reconciling the Concept of Geographically Delimited Trademarks with the Reality of the Internet,” OHIO STATE LAW JOUR., Vol. 64:617 p. 625-26 (2000), at http://moritzlaw.osu.edu/students/groups/oslj/files/2012/03/64.2.nupp_.pdf

The Tea Rose good-faith defense is still used today, albeit typically under the aegis of the Lanham Act. The Hanover and Rectanus cases established the common law doctrine of concurrent use. *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 103 (1918) (giving a junior user exclusive rights in an area, including the right to exclude the senior party); see also David S. Welkowitz, “The Problem of Concurrent Use of Trademarks: An Old/New Proposal,” 28 U. RICH.

L. REV. 315, 321 (1994) (noting that a major theme of today’s concurrent use law is the protection of the geographically remote junior user who adopted the mark in good-faith). The Lanham Act (the federal trademark act), was adopted after Rectanus and Hanover, and implicitly assumes that the Tea Rose defense is a common law defense included within the meaning of section 33(a) and (b) of the Act. 15 U.S.C. § 1115(a) and (b). See generally William Jay Gross, “The Territorial Scope of Trademark Rights,” 44 U. MIAMI L. REV. 1075, 1093 (1990); McCarthy, § 26:27 (“[Since] the territorial scope of trademark rights must be defined in terms of customer perception[, t]he touchstone of the determination of a trade area is likelihood of confusion.”).¹

Therefore, the Court in the present case did not commit clear error or overlook precedential law in entering a concurrent use order as to the IHAS mark.²

Since the Supreme Court, prior to the enactment of the Lanham Act, recognized concurrent use rights under common law, then this Court’s concurrent use order, in the final judgment and in the summary judgment order, is correct with respect to IHAS. The concurrent use order resolves the current issue of the likelihood of consumer confusion over the marks now used by the parties. Since

¹ Section 7(c) expressly provides that constructive use does not operate against another party’s usage prior to the filing of the application. 15 U.S.C. § 1057(c) (2000) (providing that “the filing of the application . . . shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect . . . against any other person except for a person . . . who, prior to such filing . . . has used the mark”). See McCarthy, § 26:11 (discussing the “freezing” of an intermediate user’s market area as of the date of application). Determining the intermediate junior user’s market area is a factual question that considers the territorial extent of the intermediate junior user’s goodwill generated by the mark, as evidenced by sales, advertising, and reputation. *Id.*

²HAG reserves the right to challenge the concurrent use order for the TBS mark. This opposition brief is solely related to the IHAS mark. HAG has not had an opportunity to order a transcript of the summary judgment hearing prior to filing this opposing brief and reserves its opinion over the consent of counsel and the TBS mark.

the law supports the Court's decision, there is no overlooked controlling law, "clear error" nor "manifest injustice" to support DELI's motion to amend final judgment.

C. DELI's Demand For Declaratory Judgment Triggered The Court's Inherent Powers And The Concurrent Use Order Was Within The Court's Power To Adjudicate The Dispute Between The Parties

DELI, as plaintiff in this action, is the master of its case. DELI asked for declaratory relief as to the likelihood of confusion with respect to the IHAS and TBS Marks and HAG's federally registered HEART ATTACK GRILL and TRIPLE BYPASS marks. Using its inherent powers, the Court entered a concurrent use order to avoid, under the facts presented to it, consumer confusion over IHAS. As stated earlier, likelihood of confusion is the key element of any concurrent use finding. McCarthy, § 26:27 ("[Since] the territorial scope of trademark rights must be defined in terms of customer perception[, t]he touchstone of the determination of a trade area is likelihood of confusion."). DELI asked for a decision on the likelihood of confusion, and the Court gave it one, in the form of a concurrent use order. Now, being disappointed with the result (DELI only wanted the Court to say "no confusion"), DELI seeks to amend the final judgment to better suit its litigation and business goals.

A declaratory judgment action is not an equitable remedy, at least in the usual sense of that term. Diematic Mfg. Corp. v. Packaging Industries, Inc., 516 F.2d 975, 978 (2d Cir.), cert. denied, 423 U.S. 913 (1975) ("a declaratory judgment action is a creature of statute, and therefore is 'neither fish nor fowl, neither legal nor equitable'" (citing American Safety Equip. Corp. v. J.P. Maguire & Co., 391 F.2d 821, 824 (2d Cir. 1968))).

The remedy was designed as a means to facilitate early and effective adjudication of disputes at a time when a controversy, though actual, may still be incipient, but before it expands into larger conflict. The action generally commences at the instance

of a party facing potential liability to another who may have an accrued claim at that time but has not yet commenced coercive litigation to pursue relief. By enabling the parties to narrow the issues and differences and expedite resolution of their conflict, the [declaratory judgment] procedure helps to minimize the prolongation of disputes, reduce the risk of loss and avoid the unnecessary accumulation of damages. Declaratory relief thus not only functions as an adjudicatory device but serves a preventive purpose as well. It permits the court in one action to define the legal relationships and adjust the attendant rights and obligations at issue between the parties so as to avoid the dispute escalating In this manner, the statute can avert greater damages and multiple actions and collateral issues involving not only the original litigants but potentially other third parties. So employed, the remedy promotes several utilitarian values in the adjudication of disputes: speed, economy and effectiveness.

Dow Jones & Co. v. Harrod's, Ltd., 237 F. Supp. 2d 394, 405 (S.D.N.Y. 2002) (footnote omitted), *aff'd*, 346 F.3d 357 (2d Cir. 2003).

Courts recognize that **(1)** a complaint for a declaratory judgment states a sufficient claim for relief as long as it alleges an actual controversy in respect of which a judicial determination of the parties' respective rights would be useful in clarifying or settling legal issues and finalizing the controversy, *Duane Reade, Inc. v. St. Paul Fire and Marine Ins. Co.*, 411 F.3d 384, 389 (2d Cir. 2005); *Kidder, Peabody & Co., Inc. v. Maxus Energy Corp.*, 925 F.2d 556, 562 (2d Cir. 1991); and **(2)** the court in a proper declaratory judgment action "should exercise its power to declare the rights and legal relations of the parties whatever they may be." *Rockland Power & Light Co. v. City of New York*, 289 N.Y. 45, 51 (1942); *Fort Howard Paper Co. v. William D. Witter, Inc.*, 787 F.2d 784 (2d Cir. 1986) ("a declaratory judgment action should be entertained 'when the judgment will serve a useful purpose in clarifying and settling the legal relations in issue, and . . . when it will terminate and afford relief from the uncertainty, insecurity, and controversy giving rise to the proceeding"). See *Chevron Corp. v. Salazar*, 2011 U.S. Dist. LEXIS 92091, 2011 WL 3628843 (S.D.N.Y. Aug. 17, 2011) and *Broadview Chemical Corp. v. Loctite Corp.*, 417 F.2d 998, 1001 (2d Cir. 1969).

The linked concepts of “clarifying and settling the legal relations at issue” and the expansive language “whatever they may be” in Fort Howard and Rockland, establish that the Court can restrict one or the other party’s rights with respect to their respective marks in order to avoid or limit the likelihood of consumer confusion under common law. With respect to IHAS, the concurrent use order does just that - it clarifies and settles the current trademark issues and disputes between the parties in New York.

Stated otherwise, DELI’s complaint could have explicitly sought relief under concurrent use provisions of the Lanham Act, thereby exercising its federal rights to IHAS. It did not. As master of its complaint, it only sought declaratory judgment of non-infringement. HAG initially sought a declaration of concurrent use (Counterclaim III and IV) and a declaration barring federal registration of IHAS and TBS (Counterclaim II). The Court voluntarily dismissed HAG’s counterclaims without prejudice thereby keeping those causes of action alive (Counterclaim I being dismissed with prejudice earlier). HAG, as the master of its counterclaims, decided that the Big Burger/Kosher Sandwich battle in New York should be decided at a different time and in a place in the USPTO, which handles concurrent use proceedings and oppositions to federal registrations). Now that DELI did not obtain a limited ruling of “no infringement” to its liking, it seeks to alter the ruling rather than take an appeal. There is no miscarriage of justice, no clear error and no manifest injustice in the Court’s final judgment sufficient to warrant amendment of the judgment.

Further, DELI’s motion misses the point - the final judgment is just the closing document for the case at bar - the summary judgment order recited supporting facts and discussed in great detail the legal theories advanced by both parties. More importantly, (a) the Court restricted its judgment to the facts before it; and (b) resolved the current dispute over the use of IHAS in New York City.

Stated otherwise, even if the final judgment were amended, the legal conclusions and factual findings in the summary judgment still bind the parties under either res judicata or issue preclusion (which collaterally estops a party from re-litigating matters fully adjudicated in an earlier action). In the unlikely event the Court does amend the final judgment, the summary judgment order stands.

In the remote chance that the Court does consider amending both the judgment and the summary judgment order, HAG respectfully requests that it be permitted to file a second brief in opposition after it obtains the hearing transcript. HAG's second brief will review the summary judgment order and the transcript and the issue of counsel's consent.

D. DELI's Reliance On An Email Discussing Settlement Is Not Proper.

It is comical that DELI's motion relies in substantial part on HAG counsel's email which discusses settlement of this "request to amend the judgment" dispute. See email, D.E. 83-2. Why should a post judgment, counsel-to-counsel communication support an amendment of the judgment? **First**, the email should be excluded from consideration since it discusses settlement of future disputes, to wit, what will happen if DELI continues in its efforts to federally register its marks. **Second**, the entire email discusses post-judgment facts and opinions which cannot be grounds to amend the judgment. The judgment may only be amended based upon facts raised in the summary judgment papers. **Third**, HAG counsel's opinions as to what may happen in the future are not "facts" but are "opinions" of future action, which future actions were judicially recognized by the Court in its voluntary dismissal of HAG's counterclaims, without prejudice. If courts amended judgments based upon "opinions of counsel" after the evidence was presented and the hearing closed, the judicial process would become chaotic and devolve into a study of "what did counsel think" rather than "what are the facts in this case and what is the law." **Fourth**, it seems foolhardy

to have the Court make a ruling on a motion based upon a “meet and confer” email between counsel. The purpose of the “meet and confer” procedure is to narrow the issues and possibly engage in a “give and take” process to avoid issues that the parties can reach an agreement on. Effectively, the meet and confer communication is the same as settlement negotiations in that counsel is attempting to compromise on a limited matter. Such communications should be excluded as evidence.

E. DELI Used Inadmissible and Confidential Correspondence in its Motion

DELI’s use of the email in its motion to amend judgment violates Fed. R. Evid. 408 and is inadmissible evidence at summary judgment and at trial. Summary judgment can only be based upon admissible evidence. *Hicks v. Baines*, 593 F.3d 159, 164 (2d Cir. N.Y. 2010); *Terry v. Ashcroft*, 336 F.3d 128, 138 (2d Cir. N.Y. 2003). To amend the final judgment and the summary judgment order, DELI must cite to admissible evidence in the summary judgment papers overlooked by the court.

1. The Email is Inadmissible Evidence as Compromise Negotiation Correspondence.

The email is not admissible evidence because it is a confidential communication between attorneys in compromise negotiations about the future claim (USPTO concurrent use/opposition proceeding) and such settlement negotiations are not admissible under Fed. R. Evid. 408. Rule 408 states that “(a) Evidence of the following is not admissible [] either to prove or disprove the validity [] of a disputed claim []: [] (2) conduct or a statement made during compromise negotiations about the claim.” Fed. R. Evid. 408. The email was sent to settle and negotiate future disputes between DELI and HAG, namely the USPTO concurrent use and/or opposition proceeding. The Court’s order permits HAG to oppose the federal registration of IHAS and TBS in the USPTO.

Similar to the case at bar, “where a party is represented by counsel, threatens litigation and has initiated the first administrative steps in that litigation, any offer made between attorneys will

be presumed to be an offer within the scope of Rule 408. The party seeking admission of an offer under those circumstances must demonstrate convincingly that the offer was not an attempt to compromise the claim.” *Pierce v. F.R. Tripler & Co.*, 955 F.2d 820, 827 (2d Cir. N.Y. 1992)(emphasis added). Further, “Rule 408 codifies ‘a fundamental rule . . . which essentially forbids a court from basing adverse findings on a party's concessions in settlement negotiations.’” *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, 2011 U.S. Dist. LEXIS 97703 (S.D.N.Y. Aug. 31, 2011) (citing *Rein v. Socialist People's Libyan Arab Jamahiriya*, 568 F.3d 345, 351 (2d Cir. 2009)).

In the present case, if the Court accepts the email as admissible evidence and finds that the email is grounds to amend the judgment, such a ruling will deter future negotiations and correspondence between the parties as there is no expectation of confidentiality. “In determining whether to exclude evidence under Rule 408, a court must weigh the need for evidence against the ‘potentiality of discouraging future settlement negotiations.’” *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 398, 418 (S.D.N.Y. 2011)(quoting *Trebor Sportswear Co. v. Limited Stores, Inc.*, 865 F.2d 506, 510-11 (2d Cir. 1989) and citing 2 J. Weinstein & M. Berger, *Weinstein's Evidence*, ¶ 408[05], at 408-31 (1988).)

Since the email is not admissible evidence for purposes of summary judgment or at trial, it cannot be admissible “new data or information” to support an amendment of the judgment. *Shrader v. CSX Transp., Inc.*, 70 F.3d 255, 257 (2d Cir. 1995)(new evidence or information is needed for reconsideration); see also *Shearard*, 2010 U.S. Dist. LEXIS 53255, 2010 WL 2243414, at *1. Once the email is excluded from consideration, DELI’s motion boils down to a rehash of case law and facts it presented in its summary judgment papers. This rehashing of arguments does not support

the requested amendment. *Yurman Design Inc. v. Chaindom Enterprises, Inc.*, 2003 WL 22047849, (S.D.N.Y. 2003)(“rehashed arguments made and issues decided on original motion” do not support reconsideration).

F. Conclusion

The Court’s decision is correct regarding the IHAS mark. The Court’s analysis is supported by long standing precedential decisions, and there are no new facts, beyond those presented by the parties in the summary judgment motions, that support an amendment of the judgment. The motion should be denied.

Dated: August 17, 2012

Respectfully submitted,

By: /Robert Kain/
Robert C. Kain, Jr., Esq.
SDNY Bar No. (RK 7454)
RKain@ComplexIP.com
Kain & Associates, Attorneys at Law, P.A.
900 Southeast 3rd Avenue, Suite 205
Fort Lauderdale, Florida 33316
Telephone: (954) 768-9002
Facsimile: (954) 768-0158
Counsel for Defendants

CERTIFICATE OF SERVICE

I hereby certify that on August 17, 2012, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

William W. Chuang, Esq.
Jakubowitz & Chuang LLP
325 Broadway, Suite 301
New York, NY 10007
Attorneys for Plaintiffs

Michael J. Quarequio
SDNY Bar No. MQ2170
Michael J. Quarequio, P.A.
900 S.E. 3rd Avenue, Ste 202
Fort Lauderdale, FL 33316
954-524-3324
f - 954-779-1767
mjquesq@gmail.com
Co-Counsel for Defendants

/Robert Kain/
Robert C. Kain, Jr., Esq.
SDNY Bar No. (RK 7454)

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