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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92064690
Party	Plaintiff Red Diamond dba National Sportswear
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL & APPEAL BOARD**

*In The Matter of:*

**Trademark Registration Nos.** 3,073,167 and 3,222,274

**For the Marks:** NATIONAL SPORTSWEAR

**Date Registered:** March 28, 2006 and March 27, 2007 respectively.

RED DIAMOND

Petitioner,

v.

National Sportswear, Inc.

Registrant.

Cancellation Proceeding No. 92064690

**BRIEF IN SUPPORT OF OBJECTION  
TO MOTION TO DISMISS PETITION  
UNDER *Res Judicata***

**OBJECTION TO MOTION TO DISMISS PETITION  
FOR CANCELLATION UNDER *Res Judicata***

Petitioner Red Diamond, Co. d/b/a National Sportswear (hereinafter referred to as “Red Diamond” or “Petitioner”), by and through its undersigned counsel, objects to Defendant’s (“NSI”) motion to dismiss its cancellation petition on the ground of *res judicata*, because Defendant failed to state credible and relevant facts in support of the motion.

This motion to dismiss is fatally flawed in light of case law and the facts as herein articulated.

**I. INTRODUCTION**

Petitioner objects to Defendant’s motion to dismiss its cancellation petition on the ground of *res judicata* as being antithetical to antitrust law thereby operating as “immunity from civil liability for future violations” and offensive to its right as a senior common law user of a mark to retain ownership in and protection for its mark in its geographic market, even in the face of a junior user’s federal registration as provided by federal trademark law. See *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1395 (3d Cir. 1985); 15 U.S.C. § 1115(b)(5).

Red Diamond is a New Jersey institution. It has been located in Belleville for more than half a century, and is known throughout New Jersey under the name “National Sportswear,” which is reputable for its high quality goods and superior service *since 1992*. Defendant, meanwhile, first commenced operations and began to use the “National Sportswear” mark in North Carolina *in 2000*, and only received federal registrations for same *in 2006 and 2007*. Both companies use the “National Sportswear” name in connection with silkscreen-printed and embroidered clothing. This motion is nothing less than Defendant’s further attempt at denying Red Diamond its legal right to preserve its ownership as senior user of the “National Sportswear” mark in New Jersey.

Moreover, Defendant’s assertion that Petitioner’s cancellation should be dismissed on the ground of *res judicata* is preposterous and disingenuous. Defendant sought to characterize Petitioner’s claim as a “manufactured breach of contract” (See Defendant’s Motion, Section I at ¶1) in an attempt to use the rule in a contumacious manner to deny Petitioner access to justice, to increase the cost of litigation, to make legal contentions that are completely unsupportable under the facts and law and to muzzle Petitioner and its counsel seeking redress in a competent forum. Be that as it may, it is axiomatic that a breach of contract also implies that the wrongful conduct underlying the breach occurred after the effective date of the contract. As a result, *res judicata* could not apply to a claim arising out of “future situations.”

## II. RELEVANT FACTS

On February 20, 2014, the Defendant in this action filed suit in the United States District Court for the District of New Jersey docketed under Case 2:14-cv-01117-WHW-CLW. On April 11, 2014 Default Judgment was entered. On February 13, 2015 Red Diamond filed a Motion for an Order to Show Cause (OTSC/TRO) as to why emergent relief should not issue. On February 17, 2015, a motion hearing was held, said motion for OTSC/TRO was denied without prejudice. On April 15, 2015, the parties filed a Stipulation stating that “the parties have amicably resolved all matters in dispute and stipulate and agree that the Court’s August 6, 2014 Order of Default Judgment should be vacated and that all claims in the above-captioned matter should be dismissed with prejudice with each party to bear its own costs.” As a result, the case was not decided on its merits. Recently, NSI has engaged in a series of acts intended to misrepresent the source of the goods and services associated with Red Diamond. NSI was notified on several

occasions to no avail.

### III. LEGAL ARGUMENT

As indicated above, Defendant failed to state credible and relevant facts in support of the motion to dismiss the petition for cancellation under *res judicata*.

A claim is barred by *res judicata* when "(1) the parties are identical or in privity; (2) the first suit proceeded to a final judgment on the merits; and (3) the second claim is based on the same set of transactional facts as the first." *Ammex, Inc. v. United States*, 334 F.3d 1052, 1055 (Fed.Cir.2003).

As for the first element, Petitioner does not dispute that the identical parties are implicated in this action. However, the first suit did not proceed to a final judgment on the merits. As indicated above, Default Judgment was entered and Petitioner's Motion for an Order to Show Cause (OTSC/TRO) was denied without prejudice. Even if the dismissal were with prejudice, "[d]ismissal "with prejudice" operates as *res judicata* as to the same cause of action." 747 Am. Jur. 2d Judgments §547." See *Cardpool, Inc. v. Plastic Jungle, Inc.*, No. 2014-1562 (Fed. Cir. Apr. 5, 2016). This cause of action is different from the previous suit and involves wrongful conduct, which did not exist during the previous suit. Therefore, *res judicata* is inapplicable in this instance and would operate as immunity from civil liability for future violations.

As for the last element namely, the second claim is based on the set of transactional facts as the first. Here, upon information and belief, as recently as this past November Defendant engaged in a series of well-orchestrated actions aimed at destroying Red Diamond's reputation and valuable customer relationships. The Federal Circuit addressed this set of circumstances involving "unknown future situations" stating:

Dismissal "with prejudice" operates as *res judicata* as to the same cause of action. 747 Am. Jur. 2d Judgments § 547. How this rule of finality would apply to changed circumstances depends on the factual circumstances of the specific situation. See *Lawlor v. Nat'l Screen Serv. Corp.*, 349 U.S. 322, 327-328 (1955) ("That both suits involved 'essentially the same course of wrongful conduct' is not decisive" of the applicability of the doctrine of *res judicata* and courts must examine factual circumstances, such as, for example, whether "new causes of action" or "substantial changes in scope" of wrongful conduct exist, in determining its applicability.). ***Res judicata does not automatically arise against unknown future situations.*** In *Aspex*, the court applied these principles to the facts of that case, recognizing that "it is necessary that the claim either was asserted, or could have been asserted, in the prior action. If the claim did not exist at the time of

the earlier action, it could not have been asserted in that action and is not barred by res judicata." 672 F.3d at 1342; *see also Lawlor*, 349 U.S. at 328 (a prior judgment "cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case"). (Emphasis added). *Cardpool, Inc. v. Plastic Jungle, Inc.* No. 2014-1562 (Fed. Cir. Apr. 5, 2016).

The doctrine of *res judicata* is thus squarely inapplicable under the facts of this case. The claim could not have been asserted in the previous suit even when the previous suit did proceed to final judgment, because "the claim did not exist at the time of the earlier action, it could not have been asserted in that action and is not barred by res judicata." *See Cardpool, Inc. v. Plastic Jungle, Inc.*, No. 2014-1562 (Fed. Cir. Apr. 5, 2016).

Acceptance of the Defendant's novel contention would in effect confer on them a partial immunity from civil liability for future violations. Such a result is consistent with neither the antitrust laws nor the doctrine of *res judicata*. *Lawlor v. National Screen Service Corp.*, 349 US 322 (Supreme Court 1955).

#### IV. CONCLUSION

For the reasons articulated above, Summary Judgment on the ground of *res judicata* should be denied, because the claim, i.e., cancellation of Defendant's marks, arises out of circumstances recently developed. As a result, the Petition for Cancellation is NOT barred by *res judicata* as asserted by Defendant.

Respectfully submitted,  
COFFYLAW, LLC

Dated this 20<sup>th</sup> day of December, 2016.

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**CERTIFICATE OF TRANSMISSION AND SERVICE**

I hereby certify that on December 20, 2016, the foregoing PETITION TO CANCEL is being electronically filed via the Trademark Trial and Appeal Board's Electronic System for Trademark Trials and Appeals ("ESTTA").

It is further certified that on December 21, 2016, the foregoing Brief in support of Objection to Motion to Dismiss is being served by mailing a copy thereof by U.S. first-class mail addressed as follows:

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Date: December 20, 2016

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