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

Proceeding	91199963
Party	Defendant New Image Global, Inc.
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NEW IMAGE GLOBAL, INC.

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

REYNOLDS INNOVATIONS, INC.

Opposer,

v.

NEW IMAGE GLOBAL, INC.

Applicant.

Opposition No. 91199963

**APPLICANT NEW IMAGE GLOBAL,
INC.'S RESPONSE TO ORDER TO
SHOW CAUSE WHY JUDGMENT BY
DEFAULT SHOULD NOT BE ENTERED
AGAINST APPLICANT**

Opposition Filed: May 25, 2011

Applicant NEW IMAGE GLOBAL, INC. ("Applicant"), in accordance with *Rule 55 (b)* of the *Federal Rules of Civil Procedure*, hereby responds to the Order to Show Cause why judgment should not be entered against Applicant, with the mail date of July 19, 2011.

I. STATEMENT OF PERTINENT FACTS

On or about November 23, 2009, Applicant filed a United States Patent and Trademark Office Application for the trademark "XL", Serial Number 77878469 (the "Mark"). (Declaration of Lanz Alexander (hereinafter "Lanz Decl.") ¶2). At this time, Applicant's Trademark portfolio

was being handled by Dwayne Mason, Esq., previous counsel of record with the USPTO for Applicant's "XL" mark. (Lanz Decl. ¶3) However, Applicant, on or about June 30, 2011, informed Mr. Mason that Applicant no longer desired Mr. Mason's services concerning Applicant's Trademark portfolio, which includes the "XL" mark at issue. (Lanz Decl. ¶4). It was not until July 1, 2011, that Mr. Mason informed Applicant that Reynolds Innovations, Inc. ("Opposer") filed an Opposition against Applicant's Mark and that Applicant's Answer was due July 4, 2011. (Lanz Decl. ¶5). By July 4, 2011, Applicant had been unsuccessful in retaining counsel in the place of Mr. Mason to manage Applicant's Trademark portfolio. (Lanz Decl. ¶6). On July 19, 2011, Applicant was informed by Mr. Mason that the USPTO had mailed notice to Dwayne Mason, ordering Applicant to show cause as to why judgment by default should not be entered concerning Opposition No. 91199963. (Lanz Decl. ¶7).

On July 22, 2011, Applicant retained the legal services of new counsel, Johnson & Pham, LLP, a California law firm, to manage Applicant's Trademark portfolio. (Lanz Decl. ¶8; Declaration of Jason R. Vener (hereinafter "Vener Decl."), ¶2). On July 27, 2011, Johnson & Pham, LLP sent notice to Mr. Mason that they had been retained by Applicant to manage Applicant's Trademark portfolio, and requested that Mr. Mason transfer all files related thereto to Johnson & Pham, LLP. (Vener Decl. ¶3) To date, Mr. Mason has not responded to this notice, nor has Mr. Mason transferred Applicant's Trademark portfolio and the files pertinent thereto to Johnson & Pham, LLP. ("Vener Decl. ¶4). On August 8, 2011, despite Mr. Mason's failure to provide Johnson & Pham, LLP with Applicant's files, Applicant registered Jason R. Vener, of Johnson & Pham, LLP, as counsel of record concerning Applicant's Mark. (Lanz Decl. ¶9; Vener Decl. ¶4).

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II. DEFAULT JUDGMENT IS AN EXTREME AND DISFAVORED REMEDY
AND IS APPROPRIATE IN THE INSTANT MATTER

In *inter partes* cases before the Board, the *Federal Rules of Civil Procedure* apply “Whenever applicable and appropriate,” unless the Rules of Practice in Trademark Cases provide otherwise. Rule 2.116, 37; C.F.R. § 2.116. The Trademark Rules do not establish a standard for determining when a default or a default judgment may be entered, avoided or set aside. Accordingly, *Federal Rule of Civil Procedure 55(c)* applies.

In applying *Rule 55* of the *Federal Rules of Civil Procedure*, it “is the general rule that default judgments are ordinarily disfavored.” *Eitel v. McCool*, 782 F.2d 1470, 1472 (9th Cir. 1986). The courts and the Board are reluctant to grant judgments by default and tend to resolve doubt in favor of setting aside a default, since the law favors deciding cases on their merits. *Pena Seguros La Comercial, S.A.*, 770 F.2D 811, 814 (9th Cir. 1985); *Thrifty Corporation v. Bomax Enterprises*, 228 USPQ 62 (TTAB 1985); *Regent Baby Products Corp. v. Dundee Mills, Inc.*, 199 USPQ 571 (TTAB 1978). Courts or the Board may grant a motion to set aside entry of default upon a showing of good cause. *FED. R. CIV. P. 55(c)*; *Franchise Holding II, L.L.C. v. Huntington Rests. Group*, 375 F.3d 922, 925 (9th Cir. 2004); *Pretzel & Stouffer, Chartered v. Imperial Adjusters, Inc.*, 28 F.3d 42, 45 (7th Cir. 1994). The court's discretion for finding “good cause” is especially broad where, as in this case, it considers a motion to set aside only an entry of default, rather than entry of a default judgment. *Brady v. United States*, 211 F.3d 499, 504 (9th Cir. 2000).

In determining whether there is good cause, courts or the Board should consider whether (1) the applicant's delay has not resulted from an act that is willful, in bad faith, or in gross neglect, (2) the applicant's delay had not resulted in substantial prejudice to the Opposer, and (3)

the Applicant has a meritorious defense. *O'Connor v. Nevada*, 27 F.3d 357, 364 (9th Cir. 1994); *Franchise Holdings II, LLC v. Huntington Restaurants Group, Inc.*, 375 F3d 922, 925-926 (9th Cir. 2004). Moreover, “a court should liberally interpret these factors when considering a motion to set aside an entry of Default.” *Hawaii Carpenters’ Trust Funds v. Stone*, 794 F.2d 508, 513 (9th Cir 1986). Default judgment is not appropriate to the instant matter as good cause exists for setting aside the entry of default.

III. APPLICANT’S DELAY IN SUBMITTING AN ANSWER WAS INADVERTANT AND AN EXCUSABLE MISTAKE

Relief from default may be denied where the default resulted from applicant's culpable conduct or willful misconduct. *Falk v. Allen*, 739 F.2d 461, 463 (9th Cir. 1984); *Ackra Direct Marketing Corp v. Fingerhut Corp.*, 86 F.3d 852, (8th Cir. 1996). Applicant’s conduct was neither culpable nor willful. As both thoroughly set forth above and in the Declarations filed in support of this Response, Applicant’s failure to file an Answer to the Opposition was due to circumstances arising from Applicant’s termination of its attorney-client relationship with the previous counsel of record for the Mark at issue. Applicant ended its relationship with the Mark’s former counsel of record just five days prior to the deadline to file an Answer without knowing that an Opposition had been filed against the Mark. And, furthermore, former counsel did not inform Applicant that an Answer was due to be filed in this matter until just three days prior to the filing deadline. Applicant is not an attorney and does not possess independent legal knowledge concerning how to respond to an Opposition. Thus, it was not until Applicant retained new counsel that it was even able to respond to the pending order to show cause, let alone file an Answer to the Opposition. Applicant should not be deprived of its opportunity to assert its rights over the subject Mark simply because Applicant, having relieved himself of

previous counsel, had neither the ability to file an Answer on its own behalf nor substantial time in which to do so once directly put on notice. It was not until Applicant retained new counsel that it became aware of what need to be done in response to the Opposition.

IV. APPLICANT'S DELAY HAS IN NO WAY PREJUDICED OPPOSER BY ITS DELAY IN FILING AN ANSWER

Opposer has not been prejudiced through Applicant's delay in answering the opposition. Prejudice exists if a party's ability to pursue its claims is hindered. *Falk, v. Allen* 739 F.2d 461, 463 (9th Cir. 1984); *Momah v. Albert Einstein Medical Center*, 161 F.R.D. 304, 307 (E.D.Pa. 1995) ("Prejudice arises where the setting aside of the entry of default results in the loss of relevant evidence or some other occurrence that tends to impair the plaintiff's ability to pursue the claim.") No prejudice exists simply because a party is compelled to litigate its claims on the merits and prove its case, or resolution of the matter is delayed. *Lacy v. Sitel Corp.*, 227 F.3d 290, 293 (5th Cir. 2000); *TCI Group Life Ins. Plan v. Knoebber*, 244 F.3d 691, 701 (9th Cir 2001) (prejudice requires "greater harm than simply delaying resolution of the case"). To wit, Opposer has not wasted resources and time in requesting entry of default or in filing a motion for entry of default before the Board. Rather, it is the board that has, on its own initiative, entered default against Applicant. Additionally, there is no evidence which will be or has been lost or degraded due to Applicant's unavoidable delay. Nor will the setting aside of default create any other circumstance which was not already in existence prior to the filing of the Opposition that tends to impair Opposer's ability to obtain relief, assuming *arguendo* that such relief is warranted. Indeed, an order setting aside the Board's entry of default against Applicant will impose not harm to Opposer independent its obligation to prove its case.

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V. APPLICANT HAS A MERITORIOUS DEFENSE TO THE OPPOSITION

In order for Applicant to that show it has a “meritorious defense,” Applicant need not show a defense that might make the result at trial different than that reached by default. *Jones v. Phipps*, 39 F.3d 158, 165 (7th Cir. 1994) (a meritorious defense need not be one that will definitely succeed); *Hritz v. Woma Corp.*, 732 F.2d 1178, 1181 (3rd Cir. 1984). The standard is not a likelihood of success; rather, a defendant need only show that its defense contentions, if proven, would constitute a complete defense. *Securities & Exchange Com. v. McNulty*, 137 F.3d 732, 740 (2nd Cir. 1998). As Opposer’s sole Opposition to Applicant’s registration is that the marks, both being “XL”, due there similarity are likely to cause confusion, and that Opposer has “first-use,” allegedly dating to October 23, 2006 (*See* Opposition. filed May 25, 2011), Applicant need only assert facts disputing any of these assertions.

Applicant will assert in its Answer that there is no likelihood of confusion as the goods to which these marks are affixed are distinct. Namely, Opposer uses this mark strictly in connection with “cigarettes” while Applicant uses this mark strictly with “flavored and non-flavored rolling tobacco sheets.” *Id.* If these alleged facts are taken as true, Applicant would have complete defenses to Opposer’s claims. Accordingly, Applicant has shown that it has meritorious Defenses.

Additionally, Applicant will claim various Affirmative Defenses. Applicant will claim that the affirmative defense of Laches applies in that Opposer unreasonably delayed in giving notice of its opposition to Applicant as the filing of the Application for the Mark was public on the USPTO site as of November 23, 2009, and a search would have revealed Applicant’s exercise of ownership of the Mark long before May 25, 2011. Applicant will also allege that

Opposer acquiesced to Applicant's use of the Mark since it had knowledge of Applicant's creation and use of the mark almost two years prior to the filing of its Opposition.

Furthermore, Applicant will assert that Opposer is estopped to assert any and all relief sought by its Opposition since, in the face of Opposer's apparent acquiescence to Applicant's use of the Mark and delay in bringing its claims; Applicant relied to its detriment upon Opposer's conduct. Accordingly, if any of the above facts asserted are taken as true, Applicant would have complete Affirmative Defenses to the Opposition. Accordingly, Applicant's Affirmative Defenses are meritorious.

VI. APPLICANT REQUIRES TIME TO FILE ITS ANSWER DUE TO ITS RECENT CHANGE OF COUNSEL

Applicant only recently retained new counsel in relation to the Mark at issue. Additionally, as stated above, new counsel has yet to receive the files possessed by previous counsel pertinent to the Mark at issue. Therefore, Applicant will requires and hereby respectfully requests thirty (30) days to file an Answer to the Opposition, should the Board set aside its entry of Default.

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VII. CONCLUSION

For the foregoing reasons, the Board should not enter a default judgment against Applicant and should set aside the entry of default with respect to the Mark. Additionally, given the recent change in counsel, and counsel's need for the files necessary to represent Applicant's interests concerning the Mark at issue, the Board should grant Applicant thirty (30) days from the date the Board sets aside the entry of default to file an Answer.

Dated: August 18, 2011

Respectfully Submitted,

JOHNSON & PHAM, LLP

By: /Jason Vener/
Christopher Q. Pham
Jason R. Vener
Attorneys for Applicant
NEW IMAGE GLOBAL, INC.

DECLARATION OF JASON R. VENER

I, JASON R. VENER, Declare as follows:

1. I am an attorney duly licensed under the laws of the State of California. I am an associate attorney at the law firm, Johnson & Pham, LLP counsel for Applicant New Image Global, Inc. (“Applicant”) in the above captioned matter. The following is within my personal knowledge, and if called upon as a witness, I could and would competently testify thereto.

2. On July 22, 2011, Applicant retained the legal services of new counsel, Johnson & Pham, LLP, a California law firm, to manage Applicant’s Trademark portfolio.

3. On July 27, 2011, Johnson & Pham, LLP, sent notice to Mr. Dwayne Mason, Applicant’s previous counsel, that they had been retained by Applicant to manage Applicant’s Trademark portfolio, and requested that Mr. Mason transfer all files related thereto to Johnson & Pham, LLP.

4. To date, Mr. Mason has not responded to this notice, nor has Mr. Mason transferred Applicant’s Trademark portfolio and the files pertinent thereto to Johnson & Pham, LLP.

5. On August 8, 2011, despite Mr. Mason’s failure to provide Johnson & Pham, LLP with Applicant’s files, Applicant registered Jason R. Vener and Christopher Q. Pham, of Johnson & Pham, LLP, as counsel of record concerning Applicant’s “XL” Mark, Serial Number: 77878469.

I declare under the penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on the 18th day of August 2011, in Los Angeles, California.

/Jason R. Vener/

Jason R. Vener

DECLARATION OF LANZ ALEXANDER

I, LANZ ALEXANDER, Declare as follows:

1. I am the Chief Financial Officer for Applicant New Image Global, Inc. (“Applicant”) in the above captioned matter and am authorized to speak on Applicant’s behalf. The following is within my personal knowledge, and if called upon as a witness, I could and would competently testify thereto.

2. On or about November 23, 2009, Applicant filed a United States Patent and Trademark Office Application for the Trademark “XL”, Serial Number 77878469 (the “Mark”).

3. At this time, Applicant’s Trademark portfolio was being handled by Dwayne Mason, Esq., previous counsel of record with the USPTO for Applicant’s “XL” mark, as well as all other Trademarks held by Applicant.

4. On or about June 30, 2011, I, on behalf of Applicant informed Mr. Mason that Applicant no longer desired Mr. Mason’s services concerning Applicant’s Trademark portfolio, which includes the “XL” mark at issue.

5. However it was not until July 1, 2011 that Mr. Mason informed me that Reynolds Innovations, Inc. filed an Opposition against Applicant’s Mark on May 25, 2011, and that Applicant’s Answer to this Opposition was due July 4, 2011.

6. By July 4, 2011, I, on behalf of Applicant, and through no lack of trying, was unsuccessful in retaining new counsel in the place of Mr. Mason to manage Applicant’s Trademark portfolio. Without the assistance of legal counsel knowledgeable in responding to USPTO Oppositions, Applicant was unable to timely Answer the Opposition.

7. On July 19, 2011, Applicant was informed by Mr. Mason that the USPTO had mailed notice to Dwayne Mason, ordering Applicant to show cause as to why judgment by default should not be entered concerning Opposition No. 91199963.

8. On July 22, 2011, I, on behalf of Applicant, retained the legal services of new counsel, Johnson & Pham, LLP, to manage Applicant’s Trademark portfolio.

9. On August 8, 2011, I, on behalf of Applicant registered Jason R. Vener and Christopher

