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

Proceeding	91210559
Party	Defendant East Coast Network Services, LLC
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

NetCloud, LLC
Opposer

v.

East Coast Network Services, LLC
Applicant

Opposition No. 91210559

MOTION FOR RECONSIDERATION OF FINAL DECISION

Pursuant to 37 C.F.R. § 2.129(c) and TBMP § 543 (2014), Applicant East Coast Network Services, LLC submits its motion for reconsideration of final decision.

The Board's decision grants Applicant's motion to strike certain of Opposer's evidence yet relies on that stricken evidence elsewhere in the decision, fails to consider and apply relevant case law, and is unduly credulous of Opposer's questionable evidence and merely copies much of Opposer's muddled reasoning directly from its briefs. Applicant respectfully requests that the Board reconsider its decision.

I. Opposer Did Not Plead Use by any Entity or Individual other than NetCloud, LLC.

Applicant respectfully requests that the Board reconsider its decision that Opposer provided Applicant sufficient notice of the basis of its claim. Opposer's notice of opposition only pleaded use by NetCloud, LLC and did not make reference to use by any other individual or entity, either by name or implicitly. It violates due process for the Board to hold that Opposer may introduce evidence beyond the scope of the pleadings, over Applicant's objection, and rely on that evidence to establish priority over Applicant.

The United States Supreme Court has made clear that under notice pleading standards *the complaint* must provide "fair notice of what the claim is and the grounds upon which it rests." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 545 (2007), made applicable to this proceeding through 37 C.F.R. § 2.116(c).

Opposer not only improperly attached its own initial disclosures and discovery responses to its reply brief, but those same initial disclosures and discovery responses were stricken by the Board. The

Board states that “... Opposer cannot make of record its own Responses to Interrogatories (except under limited circumstances not applicable here), Responses to Requests for Documents, and Initial Disclosures. . . . Accordingly, we have not taken into consideration Exhibits A, B, and C attached to Opposer's Reply Brief.” 19 TTABVue 6.

In clear contradiction of this ruling, however, the Board rewards Opposer's improper behavior by relying on this stricken evidence to find that “Opposer’s Initial Disclosures specifically listed Raj Viradia and Mehul Satasia as potential witnesses. Opposer’s discovery responses served on Opposer early in the discovery period revealed the purported transfer of the NETCLOUD name from Raj Viradia to Mehul Satasia, the formation of Opposer as an entity, and then the purported transfer from Mehul Satasia to Opposer. Accordingly, we find that Applicant was on notice of trademark use by Opposer’s predecessors-in-interest and that it was not deprived of an opportunity to meet Opposer’s evidence at trial.” 19 TTABVue 4-5, copied nearly verbatim from Opposer's reply brief at 15 TTABVue 5-6.

This finding is without evidentiary basis, since Opposer's initial disclosures and discovery responses were excluded on two separate grounds and are not part of the record in this proceeding. Even further, none of this was pleaded in *the complaint*. The proper place to provide notice to Applicant of the basis of Opposer's claims is in the notice of opposition, not initial disclosures and discovery responses, and it is quite novel for the Board to hold that a party may add grounds to its claims as set out in its notice of opposition merely by serving an adverse party with revised discovery responses. The Board simply ignores the fact that Opposer's notice of opposition neither pleaded use by any entity or individual other than NetCloud, LLC, nor was there any basis to find that the issue was tried by express or implied consent.

Moreover, Applicant is required to plead abandonment and other affirmative defenses in its answer, but it cannot plead an affirmative defense to use by Viradia or Satasia if that use has not been pleaded in the notice of opposition. Even if Opposer's initial disclosures and discovery responses were part of the record, which they are not, it was clear error for the Board to find that they substituted for the fair notice required to be provided in the notice of opposition.

As an example, Opposer's evidence contains multiple instances of tacking. Viradia initially used the NETCLOUD mark as a product mark, listing "NetCloud Hosting" as a product name, but later changed to using NetCloud as the name of the business at the "very top" of an invoice, in a clear instance of tacking. *See* 19 TTABVue 10. Satasia later tacked this plain text rendering of NetCloud onto use as a graphical logo with the image of a cloud. *See* 19 TTABVue 11. By not pleading any use by Viradia or Satasia, Applicant did not have a fair opportunity to challenge whether such tacked use creates the same continuing commercial impression. This is because if Applicant wishes to show that each of the tacked marks did not create a continuing legal impression but instead were abandoned, Applicant is required to plead such abandonment in its answer, which it cannot do if such use was not first pleaded in the notice of opposition.

The Board further states "[l]ooking then to the claims of priority *set out in Opposer's Notice of Opposition*, we conclude that Opposer (*through its predecessors-in-interest*) commenced use of NetCloud at least three years prior to the filing of Applicant's application for NETCLOUD" 19 TTABVue 18 (emphasis added). However, Opposer's claims in its Notice of Opposition set out absolutely no reference to any "predecessors-in-interest," either by name or implicitly, and it was error for the Board to conclude that Opposer acted "through" such unpleaded entities. Opposer's statement "[s]ince long before any date on which applicant can reasonably rely . . ." cannot in any way be plausibly read to mean "Raj Viradia" or "Mehul Satasia" or "predecessors-in-interest."

To the extent that the board is inclined to disregard its own ruling and consider Opposer's improperly submitted initial disclosures and discovery responses, Applicant submits that the fact that Opposer's claims of priority derive from evidence produced in a second, "revised" and "supplemental" set of discovery responses to which Opposer had already responded, one month after Opposer received Applicant's discovery responses, strongly suggests that much of Opposer's evidence was fabricated to claim an earlier priority date after Opposer reviewed Applicant's discovery responses. *See* Opposer's Notice of Reliance, 8 TTABVue 3.

Even further, Opposer's initial disclosures state that it was Mehul Satasia, not Raj Viradia, who selected, created, adopted, and developed the NetCloud mark and first used it in commerce, and fail to make any mention of Raj Viradia as being the owner of any predecessor-in-interest. Far from providing "fair notice," Opposer's initial disclosures are in fact deceptively misleading and inconsistent with the evidence that Opposer later presented, which is further evidence that Opposer made up its story as the opposition progressed.

Opposer's only evidence of NETCLOUD displayed to the purchasing public consists of amateurish flyers which can easily be created and altered on a home computer, as well as invoices which lack hallmarks of credibility such as a line item entry for a prior balance and an entry showing the date that the prior balance was paid. *See* 10 TTABVue 45-53. Additionally, it was suspiciously prescient for Viradia to include a prominent © 2009 disclaimer on his marketing flyer, in a different font. *See* 10 TTABVue 42. Curiously such dates were not included on subsequent flyers.

Since the Board does not preside at the taking of testimony and is unable to assess firsthand the credibility or lack thereof of witnesses' testimony, it is more, not less, important that the Board follow established procedural requirements such as requiring Opposer to properly plead its claims in its notice of opposition.

Therefore, Applicant respectfully requests that the Board reconsider its wholesale disregard of the notice pleading requirements as set out by the United States Supreme Court in *Bell Atlantic Corp. v. Twombly*, which require that the complaint provide "fair notice of what the claim is and the grounds upon which it rests," made applicable to Board proceedings through 37 C.F.R. § 2.116(c), and accordingly requests that all evidence of use of NETCLOUD by any individual or entity other than NetCloud, LLC be excluded as irrelevant.

II. Prior Case Law Clearly Establishes that Opposer did not Establish *Bona Fide* Use

Applicant respectfully requests that the Board reconsider its decision that Opposer established *bona fide* use of the NETCLOUD mark. It is Opposer who bears the burden of establishing common law

trademark use of its mark. Even if Opposer's evidence is real, it is too insignificant to establish *bona fide* trademark use.

Section 45 of the Lanham Act, cited by the Board, defines “use in commerce” as the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. 15 U.S.C. § 1127. The Lanham Act does not create an either/or dichotomy whereby all trademark use can be classified as either “token” or “*bona fide*,” but rather imposes two separate requirements: (1) *bona fide* use of a mark in the ordinary course of trade, and (2) such use was not made merely to reserve a right in a mark. While use by Opposer's purported predecessors-in-interest may not have been made solely to reserve trademark rights in the NETCLOUD mark, existing case law makes clear that Opposer's use of the NETCLOUD mark does not rise to level of *bona fide* use.

Although the exact line that constitutes *bona fide* use has perhaps not yet been drawn, Opposer's demonstrated use clearly falls below what has previously been held to not qualify as *bona fide* use.

The Board states that “[w]hile [Viradia's] business remained small, it did not have a hint of being a casual, sporadic, illegitimate, or transitory commercial enterprise. It was more than a “hobby” (**Applicant's claim**) but rather involved “the *bona fide* use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.” ” 19 TTABVue 17 (emphasis added).

As an initial matter, the claim that Viradia's business was a hobby was made by Mr. Viradia himself. *See* Viradia Dep. at 10 TTABVue 7. Viradia testified that his full time efforts were directed towards his construction partnership, and his testimony describing his cloud hosting as being a “personal hobby” and anticipating “getting more serious” at a future point (ie., not serious at that current point) are indicative of a casual endeavor. Further, Viradia's only clients were “left over” from an earlier business and with whom he had a preexisting relationship and who expected to be able to interact with Viradia personally. Thus none of these clients were the result of any deliberate and continuous effort to create a viable business using the NETCLOUD mark.

No activity that generates only \$250.00 per year in revenue for three years can be considered a viable, legitimate business and Viradia quite correctly characterized his cloud hosting as a hobby. Indeed,

\$250.00 is less than the filing fee to initiate an opposition proceeding. Opposer's own evidence shows the assets of the “business” were transferred from Viradia to Satasia at zero profit, indicating zero monetary value or brand equity had accrued to Viradia's use of the NETCLOUD mark. 10 TTABVue 28-29.

The Board states “[a]t the time of Mr. Satasia’s trial testimony, he testified that Opposer served more than 170 clients located throughout the United States and in a number of foreign countries. This is substantially more than the four clients Mr. Satasia, as a sole proprietor, had inherited in February 2012. However, *we cannot be sure from this record how many more clients Mr. Satasia had on November 12, 2012.*” 19 TTABVue 13 (emphasis added). This uncertainty must be resolved in favor of Applicant, as it is Opposer who has the burden of proving its case. Thus for the entire period prior to Applicant's priority date, Opposer's evidence of use of the NETCLOUD mark consists of four clients who generated \$250.00 in annual revenue.¹

The Board disregards existing case law which shows that this is insufficient to establish *bona fide* use. The Third Circuit has held that annual sales of less than \$5,000 to less than 50 clients is not *bona fide* use sufficient to sustain common law trademark rights. *See Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 225 U.S.P.Q. 1104, 1116 (3d Cir. 1985). Applying the holding of *Natural Footwear* to a different case, the Third Circuit held that \$323.50 in sales in the year prior to the applicant's priority date was insufficient use to establish priority over the applicant in a mark. *See Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc.*, 186 F.3d 311, 317 (3d Cir. 1999). In this case, Opposer only established \$250.00 per year in sales to four clients prior to Applicant's priority date, which is far below the minimum hurdle set by the Third Circuit.

The Second Circuit has similarly held that a “meager trickle of business [does not] constitute[] the kind of bona fide use intended to afford a basis for trademark protection.” *La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc.*, 181 U.S.P.Q. 545, 548 (2d Cir. 1974). In that case, the Second Circuit held that sales of 89 bottles of perfume over a period of 20 years (ie. sales to 4 or 5 customers per year) were insufficient to establish common law trademark rights. Courts within the Second Circuit have

¹ It should also be noted that Opposer did not substantiate in any way its claim to have 170 clients.

also held \$3,000 in annual sales,² and sales of several hundred board games over a period of years,³ are insufficient to establish common law trademark rights. Opposer's evidence of use is far more meager than that found insufficient by courts in the Second Circuit to establish bona fide use sufficient to establish trademark rights.

Even in the unpublished opinion cited by the Board, *White v. Paramount Pictures Corp.*, 1997 WL 76957 (Fed Cir. 1997), the Federal Circuit held that sales to 20 to 25 customers per year for over 15 years was insufficient to qualify as a “continual effort to create a viable business in the goods so marked.”

In contrast, neither Opposer nor the Board has cited any authority which holds that *de minimis* sales of \$250.00 to a *de minimis* number of customers is sufficient to establish common law trademark use. Additionally, Viradia had a preexisting relationship with all four of his clients before he adopted the NETCLOUD name, thus none of his four clients are the result of any deliberate and continuous use of the NETCLOUD mark.

The Board also states that Viradia “even purchased a domain name (<netcloud.com>) for \$25,000 at the beginning of 2012 in anticipation of “getting more serious” about growing the NetCloud business.” 19 TTABVue 17, copied verbatim from Opposer's reply brief at 15 TTABVue 9. However, acquisition of a domain name does not constitute trademark use, regardless of how much money Viradia paid to acquire it, and it was erroneous for the Board to cite this fact as establishing any *bona fide* use of the NETCLOUD mark. *See Brookfield Comm., Inc. v. West Coast Ent. Corp.*, 50 U.S.P.Q.2d 1545, 1555 (9th Cir. 1999); *Fram Trak Ind., Inc. v. Wiretracks LLC*, 77 U.S.P.Q.2d 2000, 2005 n. 8 (TTAB 2006).

Opposer did not introduce any evidence regarding the field of cloud hosting, such as the size of the market, the number of potential customers, or whether attempting to gain customers by handing out flyers at social functions is a common industry practice. Opposer has thus not established any peculiarities that warrant the conclusion that \$250.00 of revenue from four clients would be more than a

² *Major League Baseball Props., Inc. v. Opening Day Prods., Inc.*, 74 U.S.P.Q.2d 1102 (S.D.N.Y. 2004).

³ *Gameologist Grp., LLC v. Scientific Games Int'l, Inc.*, 508 F. App'x 31 (2d Cir. 2013).

de minimis amount of business in the particular field of cloud hosting, such that existing case law should not apply to the facts of this case.

Applicant therefore respectfully requests that the Board reconsider its ruling and hold that Opposer failed to establish *bona fide* use of the NETCLOUD mark prior to Applicant's priority date.

III. Conclusion

In conclusion, Applicant respectfully requests that the Board reconsider its decision and enter judgment in favor of Applicant, dismiss the Opposition, and permit Applicant's registration to issue.

Dated this 29th day of March, 2015.

/Russell Logan/
Russell Logan, Esquire
Attorney for Applicant

CERTIFICATE OF SERVICE

I hereby certify that a true and complete copy of the foregoing **MOTION FOR RECONSIDERATION OF FINAL DECISION** has been served on NetCloud, LLC by emailing said copy on 3/29/2015, to Morris E. Turek, counsel for Opposer, at morris@yourtrademarkattorney.com.

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