

ESTTA Tracking number: **ESTTA616749**

Filing date: **07/21/2014**

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

Proceeding	91215035
Party	Defendant CHD Bioscience, Inc.
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Attachments	CHD Resp Mt Dismiss Cntclm.pdf(93851 bytes)

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

Vertex Pharmaceuticals
Incorporated,

Opposer,

v.

CHD Bioscience, Inc.,

Applicant.

Opposition No.: 91215035

Date: July 21, 2014

**APPLICANT, CHD BIOSCIENCE, INC.'S, RESPONSE TO PLAINTIFF'S
MOTION TO DISMISS APPLICANT'S COUNTERCLAIMS**

Applicant, CHD Bioscience Inc. ("Applicant"), respectfully requests that the Motion to Dismiss Applicant's Counterclaims for failure to state a claim upon which relief can be granted filed by Vertex Pharmaceuticals Incorporated ("Opposer") be denied because Applicant's counterclaims allege sufficient factual matter that would, if proved, establish that a valid ground exists for cancelling Opposer's marks, in whole or in part, and are sufficiently pleaded in view of the applicable legal standards.

I. STATEMENT OF FACTS

Applicant's Application Serial No. 85/887,894 for VERIOX covers "All-purpose disinfectants for medical instruments, healthcare facility surfaces, and for

* * *
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I hereby certify that this correspondence is being filed online via ESTTA to: Trademark Trial and Appeal Board, P.O. Box 1451, Alexandria, VA 22313-1451, on July 21, 2014.

July 21, 2014.
Date of Signature
3166515-1

s/John J. O'Malley
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coating medical bandages; irrigation solutions, namely, medical cleansers for wounds; coatings for surgical implants and medical devices, namely, antimicrobial coatings to prevent the growth of viruses, bacteria, spores, biofilms and fungus on various surfaces; antibacterial creams and ointments for use in dental procedures; pharmaceutical preparations for the treatment of pulmonary infections; all-purpose disinfectants.

Opposer's Registration Nos. 2,704,913 ("the '913 Registration") and 3,531,356 ("the '356 Registration") cover "a house mark for pharmaceutical preparations". Opposer filed the underlying applications to the '913 and '356 Registrations under Section 1(b) on an intent to use basis.

On November 12, 2002, Opposer filed its Statements of Use for the '913 Registration. On February 23, 2009, Opposer filed its Section 8 Declaration of Use for the '913 Registration on February 23, 2009. On May 17, 2012, Opposer filed its Section 8 Declaration of Use and Renewal Application for the '913 Registration. On September 4, 2008, Opposer filed its Statements of Use for the '356 Registration.

On March 27, 2013, Opposer filed a Notice of Opposition against all of the goods in Applicant's pending application based on the '913 and '356 Registrations. On May 2, 2014, Applicant filed its Answer and Counterclaim to Notice of Opposition ("Applicant's Answer and Counterclaims"). On June 30, 2014 Opposer filed Plaintiff's Motion to Dismiss Applicant's Counterclaims.

II. ARGUMENT

Opposer's Motion to Dismiss must be denied because Applicant's counterclaims allege sufficient factual matter that would, if proved, establish that a

valid ground exists for cancelling Opposer's marks, in whole or in part, and are sufficiently pleaded in view of the applicable legal standards.

A. Legal Standards

A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) is a test of the sufficiency of the pleading. Fed. R. Civ. P. 8(a)(2) requires only "a short and plain statement of the claim showing that the pleader is entitled to relief" to give the defendant fair notice of what the claim is and the grounds upon which the claim rests. Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2007). Accordingly, a court may dismiss a complaint under Fed. R. Civ. P. 12(b)(6) when the complaint fails to contain enough facts to state a claim to relief that is plausible on its face. See id. at 570. In deciding a motion to dismiss, courts are generally limited to considering the allegations contained in the complaint, and may not consider evidence outside the pleadings. United States v. Ritchie, 342 F.3d 903, 908 (9th Cir. 2003).¹

In the context of *inter partes* proceedings before the Board, "[t]o survive a motion to dismiss, a petitioner ... need only allege sufficient factual matter as would, if proved, establish that 1) petitioner has standing to maintain the proceeding, and 2) a valid ground exists for cancelling the mark, in whole or in part, as may be applicable." Johnson & Johnson v. Ogranitchenoy, 2012 TTAB LEXIS 192 at *3, 104 U.S.P.Q. 2d (BNA) 2037 (T.T.A.B. 2012) (citing Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 1026, 213 U.S.P.Q. 185 (C.C.P.A. 1981)).

¹ Applicant hereby objects to the exhibits and additional evidence submitted by Opposer in Opposer's Motion to Dismiss. These exhibits and additional evidence are outside the pleadings and should not be considered.

A trademark may be cancelled under 15 U.S.C. § 1064(3) if its “registration was obtained fraudulently.” With respect to the pleading of a fraud claim, the sufficiency of the claim is governed by Fed. R. Civ. P. 9(b), which states, in relevant part, “a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a person’s mind may be alleged generally.” To seek cancellation for fraud, a plaintiff must prove (1) a false representation, (2) regarding a material fact, (3) the registrant’s knowledge or belief that the representation is false, (4) the intent to induce reliance on the misrepresentation, (5) reasonable reliance, and (6) damages proximately resulting from the reliance. Robi v. Five Platters, Inc., 918 F.2d 1439, 1444, 16 U.S.P.Q. 2d (BNA) 2015 (9th Cir. 1990). “Fraud in procuring a trademark occurs when an applicant knowingly makes false, material representations of fact in connection with his application.” In re Bose Corp., 580 F.3d 1240, 1243, 91 U.S.P.Q. 2d (BNA) 1938 (Fed. Cir. 2009). Deceptive intent may be established by direct evidence or may be inferred from indirect or circumstantial evidence. Id. at 1245.

B. Applicant Has Standing to Maintain the Proceeding

As an initial matter, Applicant is currently the defendant in this Opposition proceeding. Applicant’s position as defendant is sufficient for purposes of standing. See Ohio State University v. Ohio University, 51 U.S.P.Q. 2d 1289, 1293 (T.T.A.B. 1999). In addition, it should be noted that Opposer has not challenged Applicant’s standing to assert Applicant’s Counterclaims.

**C. Applicant's Count I Sufficiently Alleges All Elements of Fraud
with Particularity**

Opposer has alleged that Applicant's Count I fails to plead sufficient facts to allege a claim of fraud. Applicant disagrees, and asserts that Applicant's fraud claim as originally filed does allege sufficient facts to meet the pleading burden of Fed. R. Civ. P. 9(b) for the reasons that follow.

**1. Applicant Has Particularly Pleaded that the
Representations were made by Opposer**

Courts have found that, for the purposes of Rule 9(b), it is adequate to allege that a trademark registrant made various false representations in its statement of use, and that contrary to the registrant's representations, the mark was not being used in conjunction with all of the goods and services when the statement of use was filed. See Bauer Bros. LLC v. Nike, Inc., 2011 U.S. Dist. LEXIS 23025 at *6, 98 U.S.P.Q. 2d (BNA) 1160 (S.D. Cal. Mar. 8, 2011).

Applicant has pleaded that during the prosecution of the '913 and '356 Registrations, Opposer made numerous false representations when Opposer filed its Statements of Use for both the '913 and '356 Registrations indicating broad use as a "house mark for pharmaceutical preparations"; and when Opposer filed its Section 8 Declaration of Use for the '913 Registration and its Section 8 Declaration of Use and Renewal Application for the '913 Registration, again indicating broad use as a "house mark for pharmaceutical preparations." See Applicant's Answer and Counterclaims at ¶¶ 11-14. Therefore, Applicant has satisfied this element because Applicant has particularly pleaded that the representations in question were made by Opposer.

2. Applicant Has Particularly Pleaded that the Representations were False

A counterclaim adequately alleges fraud when it alleges that the applicant made false representations in its statements of use, and that, contrary to the applicant's representations, at the time that the applicant filed its statements of use the mark was not being used to that effect. CTF Dev., Inc. v. Penta Hospitality, LLC, 2009 U.S. Dist. LEXIS 99538, at *2-3 (N.D. Cal. Oct. 26, 2009).

Applicant has pleaded that during the prosecution of the '913 and '356 Registrations, Opposer knew that Opposer did not have broad use with pharmaceutical preparations as required by TMEP § 1402.03(b) (the applicant must provide "evidence showing broad use of the mark, to substantiate this claim."). See Applicant's Answer and Counterclaims at ¶¶ 11-14 and 16-17. Therefore, Applicant has satisfied this element because Applicant has particularly pleaded that the representations made by Opposer were false.

3. Applicant Has Particularly Pleaded that the Representations Regarded a Material Fact

The Board has held that statements regarding the use of the mark on the identified goods and/or services are material to issuance of a registration. Tri-Star Marketing, LLC, v. Nino Franco Spumanti S.R.L., 2007 TTAB LEXIS 81, at *8, 84 U.S.P.Q. 2d 1912 (T.T.A.B. 2007).

Applicant has pleaded that Opposer's representations were statements regarding the use of the mark on the identified goods and/or services. See Applicant's Answer and Counterclaims at ¶¶ 11-14 and 16-17. As such, Opposer's statements were material to the issuance of the '913 and '356 Registrations.

Therefore, Applicant has satisfied this element because Applicant has particularly pleaded that the representations made by Opposer regarded a material fact.

4. Applicant Has Particularly Pleaded that Opposer Knowingly Made the False Representation

This prong requires that the registrant knew that the material misrepresentation was false. As discussed above, Fed. R. Civ. P. 9(b) specifies that “knowledge ... may be alleged generally.”

Applicant has pleaded that Opposer knew the statements were false by listing supporting facts regarding Opposer’s two products KALYDECO and INCIVEK to show that Opposer knew the statements were false, thereby satisfying, if not exceeding, the requirements of the pleading standard. See CTF Dev., Inc., 2009 U.S. Dist. LEXIS 99538 at *14-15; see also Applicant’s Answer and Counterclaims at ¶¶ 4-8. For these reasons, Applicant’s pleading as to this element is sufficient and comports with the requirements of Fed. R. Civ. P. 9(b).

5. Applicant Has Particularly Pleaded that Opposer Acted With the Intent to Induce Reliance on the Misrepresentation

As discussed above, Applicant is only required to establish a plausible inference of deceptive intent at this stage of the proceedings. Such an inference is sufficient:

[B]ecause direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement. When drawing an inference of intent, the involved conduct, viewed in light of all the evidence ... must indicate sufficient culpability to require a finding of intent to deceive.

In re Bose, 580 F.3d at 1245. (citations and quotations omitted). “When false facts are affirmatively written on a statement of use, it is difficult to conclude that it is not at least plausible, under the *Iqbal* standard, that such an act was done with the intent to deceive the USPTO into granting a trademark registration.” CTF Dev., Inc., 2009 U.S. Dist. LEXIS 99538 at *17.

Applicant has pleaded that Opposer’s “false and fraudulent statements were made with the intent to induce the USPTO to register Registrations Nos. 2,704,913 and 3,531,356 and maintain Registration No. 2,704,913....” Applicant’s Answer and Counterclaims at ¶¶ 18. Opposer alleges that Applicant’s pleadings are “little more than conclusory recitations of the elements of a fraud claim” and do not “allege sufficient facts to show a willful intent to deceive.” This is simply not the case, as Applicant has alleged facts which establish a plausible inference of such a deceptive intent in the false facts affirmatively written on Opposer’s various statements of use. Applicant’s Answer and Counterclaims at ¶¶ 4-8 and 11-14.

**6. Applicant Has Particularly Pleaded Reasonable Reliance
Upon the Misrepresentation and Damages Proximately
Resulting Therefrom**

First, Opposer does not dispute the final two prongs of the fraud counterclaim -- reasonable reliance on the misrepresentation and damages resulting to Applicant therefrom. Nevertheless, Applicant has sufficiently pleaded that, “the USPTO reasonably relying upon the truth of said false statements did, in fact, approve and/or maintain said registrations.” Applicant’s Answer and Counterclaims at ¶ 18. Applicant also states that Applicant “is damaged by Registration Nos. 2,704,913 and 3,531,356”. Applicant’s Answer and Counterclaims at ¶ 20. Applicant further

explains that “[a]pplicant is damaged and will continued to be damaged because Registrant’s Registration Nos. 2,704,913 and 3,531,356 cover the overbroad category of ‘house mark for pharmaceutical preparations’ when the actual use is only with respect to pharmaceutical preparations for the treatment of cystic fibrosis and viral diseases.” Applicant’s Answer and Counterclaims at ¶ 25. Based on these allegations, the final two prongs are sufficiently alleged. See CTF Dev., Inc., 2009 U.S. Dist. LEXIS 99538 at *17-19.

Accordingly, Applicant has particularly and plausibly stated a claim for fraud for which relief can and should be granted.

D. Applicant’s Count II Sufficiently Alleges A Cause of Action

Opposer also alleges that Applicant’s Count II fails to set forth a ground for cancellation or limitation (partial cancellation). Again, Applicant disagrees and asserts that Applicant’s claim as originally filed is sufficient as governed by Fed. R. Civ. P. 8, which requires Applicant to provide Opposer with fair notice of the claim and the grounds upon which it rests.

As stated above, Applicant need only allege sufficient factual matter as would, if proved, establish that a valid ground exists for cancelling the mark, in whole or in part. Johnson & Johnson, 2012 TTAB LEXIS 192 at *3. Applicant has pleaded that Opposer’s description is overbroad and should be cancelled in whole or in part, based on that ground. Applicant’s Answer and Counterclaims at ¶ 22.

In Eurostar Inc. v. “Euro-Star” Reitmoden GmbH & Co., 34 U.S.P.Q. 2d (BNA) 1266 (T.T.A.B. 1994), the Board set forth the elements for stating a proper claim for partial cancellation or restriction of a registration under 15 U.S.C. § 1068.

A petitioner must plead that the proposed restriction will avoid a likelihood of confusion and that respondent is not using the mark on the goods or services being deleted or “effectively excluded” from the registration. Id at 1271.

Applicant has pleaded that Opposer’s description should be limited to “pharmaceutical preparations for the treatment of cystic fibrosis and viral diseases” and that such a limitation would result in “no likelihood of confusion with Applicant’s application for VERIOX”. Applicant’s Answer and Counterclaims at ¶¶ 23-24. Applicant also pleaded that Opposer’s actual use does not cover a “house mark for pharmaceutical preparations”. Id. at ¶ 23.

Accordingly, Applicant has plausibly stated a claim for cancellation under 15 U.S.C. § 1068 for which relief can and should be granted.

E. Opposer Egregiously Cites an Uncitable Disposition as Precedent and Erroneously Attributes Petitioner Arguments to the Board

Opposer’s theme throughout Opposer’s Motion to Dismiss Applicant’s Counterclaims is that Applicant fails to understand the law regarding registration of a house mark for pharmaceutical preparations. In concocting this misguided view, Opposer heavily relies on In re Astra Merck. Inc., 1998 TTAB LEXIS 446, 50 U.S.P.Q. 2d 1216 (TTAB 1998), for the proposition that Vertex’s current two commercial products are sufficient for a house mark.

As an initial matter, In re Astra Merck is not law and is not citable as precedent of the T.T.A.B. Therefore, In re Astra Merck should be given no weight. Section 1402.03(b) of the Trademark Manual of Examining Procedure, entitled “House Marks”, does not specify a minimum number of goods required in order for

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an applicant to register a house mark. Section 1402.03(b) does however specify that “[h]ouse marks are marks used by an entity on a wide range of goods.” Id. (Emphasis added). It is clear from the TMEP that the USPTO should only register a house mark in the limited circumstances that the mark is actually used as a house mark, i.e., on a wide range of goods. Id. Moreover, the TMEP provides if a registrant cannot comply with these requirements, the identification of goods should be limited to conform to the usual standards for specificity. Id. Applicant’s arguments and requested relief are based on this correct recitation of the law.

Opposer also erroneously cites petitioner arguments made in In re Astra Merck, Inc. as reasoning and holdings of the Board in a hopeful attempt to support its erroneous position. For example, on page 6, of Opposer’s Motion to Dismiss Applicant’s Counterclaims, Opposer states:

The Board stated that if all of the drug manufacturer’s different pharmaceutical products bear a particular mark in common, then that mark is “obviously functioning as a house mark for that product line, regardless of the exact number of products in that product line.” Id. The Board reasoned that to hold the opposite would be to favor large companies with large product lines and to penalize smaller companies with smaller product lines, an obviously inequitable result. Id. “Small companies should be eligible for house mark registration as long as they have multiple products in their product line and they use the mark throughout the product line.” Id.

A careful read of In re Astra Merck, Inc. shows that these quotations and statements are attributable to the applicant in that case and not the Board:

Applicant argues that the Trademark Manual does not require a minimum number of products “for house mark status,” nor does it require that a mark appear on every conceivable type of pharmaceutical product in order to be considered a house mark.

If an applicant demonstrates that all of its different pharmaceutical products bear a particular mark in common, then that mark is obviously functioning as a house mark for that product line, regardless of the exact number of products in that product line. To hold the opposite, as the examining attorney has done, is to favor large companies with large product lines and to penalize smaller companies or companies with smaller product lines. This is obviously an inequitable result. . . Small companies should be eligible for house mark registration as long as they have multiple products in their product line and they use the mark throughout the product line.

Applicant's appeal brief, 2.

In re Astra Merck, Inc., 1998 TTAB 466 at *3-4. (Emphasis added). Thus, it is apparent that Opposer, not Applicant, misunderstands the law regarding house marks. For these reasons, the Board should give no weight to Opposer's arguments.

III. CONCLUSION

Applicant's counterclaims allege sufficient factual matter as would, if proved, establish that a valid ground exists for cancelling Opposer's marks, in whole or in part, and are sufficiently pleaded in view of the applicable legal standards. In addition, Opposer's arguments with respect to the law pertaining to House marks should be given no weight.

For these reasons cited above, Applicant respectfully requests that the Trademark Trial and Appeal Board deny the Opposer's request to dismiss the Opposition.

Respectfully submitted,

CHD BIOSCIENCE, INC

By: s/John J. O'Malley
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of Applicant, CHD Bioscience, Inc.'s, Response to Plaintiff's Motion to Dismiss Applicant's Counterclaims is being served via the U.S. Postal Service as First Class Mail in an envelope addressed to:

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Date: July 21, 2014

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