

**THIS OPINION
IS NOT A PRECEDENT
OF THE T.T.A.B.**

**UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451**

DUNN

Mailed: March 12, 2010

Cancellation No. 92044697

ACM Enterprises, Inc.

v.

Jeannette Martello

**Before Bucher, Zervas, and Bergsman, Administrative
Trademark Judges:**

By the Board:

This case comes up on respondent's combined motion to amend its answer to add affirmative defenses, and for summary judgment, filed September 24, 2009. Petitioner opposes the motion, and brings a cross-motion for sanctions which was filed November 3, 2009.

Jeannette Martello, now acting *pro se* in this proceeding, registered the mark "SKIN DEEP" for "medical services; healthspa services, namely cosmetic body care services; cosmetician services; physician services" (Registration No. 2932593), the subject of the petition to cancel, and owns pending applications for SKIN DEEP for

dermatological pharmaceutical products (application Serial No. 78763028), and MORE THAN SKIN DEEP for non-medicated skin care preparations and dermatological pharmaceutical products (application Serial No. 78787667).¹ ACM Enterprises, Inc., doing business as Skin Deep Laser Med Spa, owns pending applications for SKIN DEEP LASER MEDSPA for services providing cosmetic treatments (application Serial No. 78569772) and for cosmetics (application Serial No. 78569898).

On July 1, 2005, ACM Enterprises, Inc. filed a petition to cancel Registration No. 2932593 on the grounds of priority and likelihood of confusion, nonuse, and fraud.² Respondent in her answer denied the salient allegations of the complaint and alleged the affirmative defense that all of petitioner's claims are barred by petitioner's unclean hands.³ Discovery closed January 5, 2007.

¹ Respondent also owns registrations for the mark SKIN DEEP for radio show services (Registration No. 2777522), a magazine (Registration No. 3094594), and retail stores service (Registration No. 3387207), all in the fields of medicine, surgery, health, health care, beauty, skin care, cosmetic surgery and plastic surgery.

² Proceedings were suspended pending disposition of respondent's motion for summary judgment before petitioner could comply with the Board's September 22, 2009 order which found the fraud claim legally insufficient and allowed petitioner to file an amended claim.

³ The affirmative defense of unclean hands is unavailable against a claim of fraud (*Maids to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 USPQ2d 1899, 1904 (TTAB 2006)) and the Board is not aware of any precedential case that allows an affirmative defense of unclean hands against a claim of nonuse (*Barbara's Bakery Inc. v. Landesman*, 82 USPQ2d 1283, 1291 (TTAB 2007)).

Before addressing the substance of respondent's combined motion, the Board notes that respondent's November 23, 2009 reply brief does not include sufficient proof of service because petitioner was not served when the filing was made.⁴ At the bottom of the certificate of mailing respondent appended the sentence "A copy of these documents [will] be served upon Petitioner's counsel via USPS First Class Mail." On December 17, 2009 and then on December 29, 2009, respondent filed a certificate of service stating that petitioner had been served with the reply brief by first class certified mail on December 1, 2009. However, December 1, 2009 falls outside the period for filing a reply brief with the required proof of service. Accordingly, respondent's reply brief will not be considered.

RESPONDENT'S MOTION TO ADD AFFIRMATIVE DEFENSES THAT PETITIONER LACKS STANDING AND COMMITTED FRAUD IS DENIED

In deciding a motion for leave to amend under Fed. R. Civ. P. 15(a), the Board must consider whether entry of the proposed amendment would violate settled law, would be prejudicial to the rights of the adverse party, or would be futile because the proposed amendment is legally sufficient.

⁴ We further note that respondent had very recently been reminded of the Board's requirement for proof of service. Because respondent's combined motion lacked proof of service, the Board's September 28, 2009 order provided the relevant information and reset petitioner's time to respond to the motion. Petitioner's response is accepted as timely.

See *Leatherwood Scopes International Inc. v. Leatherwood*, 63 USPQ2d 1699, 1702 (TTAB 2002). The timing of the motion for leave to amend is a major factor in determining whether respondent would be prejudiced by allowance of the proposed amendment. *Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285, 1287 (TTAB 2008).

Here, we find the prospective affirmative defenses to be legally insufficient, and the motion to amend untimely. Respondent's affirmative defense that petitioner lacks standing is legally insufficient because standing is not an affirmative defense; it is an essential element of petitioner's case which, if it is not proven at trial, defeats petitioner's claim. *Nobelle.com LLC v. Qwest Communications International Inc.*, 66 USPQ2d 1300, 1303 (TTAB 2003).

Respondent's allegation of fraud, specifically the allegations relating to petitioner's statements in its petition to cancel regarding its dates of use, and petitioner's statements regarding its exclusive right to use and ownership of the mark made in connection with petitioner's application Serial No. 78569772, also fail to set forth an affirmative defense. Respondent's allegations regarding the inaccuracy of the dates of use pleaded in the petition to cancel merely reiterate respondent's denial that petitioner has priority of use as set forth in connection

with the likelihood of confusion claim. Respondent's allegations regarding statements made in connection with petitioner's application Serial No. 78569772 seek to bring a fraud claim against that application. Fraud in filing petitioner's application cannot be raised in this proceeding, which addresses the registrability of respondent's registration. In other words, because that pending application is not before us, any purported fraud related to petitioner's application is only relevant, if at all, to respondent's affirmative defense of unclean hands.

However, because respondent has already pleaded a legally sufficient affirmative defense of unclean hands, the pleading need not be further amended. Unless subject to any valid objection by petitioner, respondent's evidence and arguments regarding petitioner's alleged bad acts in connection with its application can be considered for whatever probative value it may have in this proceeding in connection with that affirmative defense.⁵

As to timing, respondent contends that on December 29, 2008, counsel for petitioner disclosed that Dr. John Gross replaced Dr. Saul Berger as Medical Director of the Skin Deep Laser Med Spa, and that this triggered an investigation which uncovered the facts supporting the affirmative

⁵ Allegations regarding bad acts by petitioner in connection with this proceeding will be considered only in connection with a motion for sanctions, discussed later in this order.

defenses. However, the exhibits to the motion largely comprise petitioner's discovery responses served more than three years earlier. That is, the majority of the documents upon which respondent relies were not the result of its recent investigation. In view of the fact that respondent waited three years to amend its answer, we find that the motion to amend is not timely.

Accordingly, respondent's motion to amend its answer to add affirmative defenses is denied because the prospective affirmative defenses are legally insufficient or amendment is otherwise unnecessary, and because the motion is untimely.

RESPONDENT'S MOTION FOR SUMMARY JUDGMENT ON PETITIONER'S LACK OF STANDING AND UNCLEAN HANDS IS DENIED

The party bringing a motion for summary judgment bears the burden of showing the absence of any genuine issue of material fact, and that it is entitled to judgment as a matter of law. See Fed. R. Civ. Pro. 56(c); and *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548 (1986). In assessing the motion, the evidence must be viewed in a light favorable to the non-movant, and all justifiable inferences are to be drawn in the non-movant's favor. See *Lloyd's Food Products Inc. v. Eli's Inc.*, 987 F.2d 766, 25 USPQ2d 2027 (Fed. Cir. 1993).

In support of its motion, respondent alleges that because petitioner's violation of various California statutes renders its use of the mark SKIN DEEP LASER MED SPA unlawful and because petitioner's application Serial No. 78569772 was fraudulently filed based on petitioner's misrepresentations regarding exclusive use, ownership, and dates of use, petitioner lacks standing and its claims are barred by its unclean hands.

In support of its motion, respondent submits the June 24, 2004 email message from petitioner to respondent in which petitioner informs respondent that he enjoys her radio show, and that "Not surprisingly we do get several people contacting us who are looking for you"; the California fictitious name permit for SKIN DEEP LASER MEDSPA issued to Dr. Berger; documents filed in Los Angeles Superior Court in connection with the divorce proceeding of Colin Hurren, petitioner's president, and with the Los Angeles County Clerk in connection with a fictitious business name statement (both listing dates for the opening of petitioner's business which differ from the dates of use listed in petitioner's application); and California state business records produced in discovery or collected by respondent or her investigator and related documents alleged to show petitioner's violation of California laws and regulations, including those pertaining to state sales

permits, payment of state sales tax, use of a fictitious business name, the illegal practice of medicine by a layperson, and procedures for corporate organization and dissolution.

With respect to standing, use of a similar mark is sufficient to establish a real interest in the Board proceeding. *Fram Trak Industries Inc. v. WireTracks LLC*, 77 USPQ2d 2000, 2005 (TTAB 2006).⁶ The affirmative defense of unclean hands imposes upon a complainant the burden of showing not only that he has a good and meritorious cause of action, but that he comes into court with clean hands. *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 814, 65 S.Ct. 993, 997, 89 L.Ed. 1381, 65 USPQ 133 (1945). "[M]isconduct in the abstract, unrelated to the claim in which it is asserted as a defense, does not constitute unclean hands. ... The substance of the claim asserted by the plaintiff must be weighed against the improper conduct which is asserted to foreclose the relief sought. *Warnaco Inc. v. Adventure Knits, Inc.*, 210 USPQ 307, 313 (TTAB 1981).

⁶ The citation of the subject registration as a bar to the registration of petitioner's mark would be sufficient to establish standing. *Cerveceria Modelo S.A. de C.V. v. R.B. Marco & Sons, Inc.*, 55 USPQ2d 1298, 1299-1300 (TTAB 2000). However, this basis for standing was not pleaded, and no evidence of the refusal was presented in connection with the motions decided herein.

With one exception, respondent's evidence does not establish that there has been any allegation of wrong-doing by petitioner or the existence of any past or present investigation in any California agency or tribunal. California state tax authorities evidently investigated petitioner's payment of state sales tax, but the record shows that petitioner was cleared of any alleged violations. The Board will find use of a mark in commerce unlawful only when a court or government agency having competent jurisdiction under the involved statute has previously made a finding of non-compliance or where there has been a per se violation of the statute at issue. *Santinine Societa v. P.A.B. Produits*, 209 USPQ 958 (TTAB 1981). Proof of the noncompliance or per se violation must be established by clear and convincing evidence. *General Mills, Inc. v. Health Valley Foods*, 24 USPQ 1270, 1273 (TTAB 1992). Moreover, were a state violation established, the Board would still have to determine whether such a violation is sufficiently material in nature as to constitute "unlawful use in commerce." In other words, petitioner must establish that respondent's violations of state law and regulation render all uses of respondent's mark in commerce unlawful. In this regard, respondent has failed to meet her burden of proof.

Similarly, for the purposes of summary judgment, respondent's evidence does not establish any element of fraud in the filing of petitioner's application Serial No. 78569772 that relates to petitioner's unclean hands. "[A] trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO." *In re Bose Corporation*, 476 F.3d 1331, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009). There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive. *Bose*, at 1942 (citations omitted). Unless a party alleging fraud can point to clear and convincing direct evidence of deceptive intent, or evidence that supports drawing an inference of deceptive intent, it will not be entitled to judgment on a fraud claim.

Upon careful consideration of the arguments and evidence presented by the parties, and resolving all reasonable inferences in the non-movant's favor, the Board finds that respondent has failed to establish that there are no factual issues in dispute with respect to its claims that petitioner's use of its mark is unlawful and that the filing of its application was fraudulent so that petitioner lacks standing and brings unclean hands to this proceeding. At a minimum, there are genuine issues of material fact as to

petitioner's standing and petitioner's unclean hands.

Respondent's motion for summary judgment is denied.⁷

PETITIONER'S MOTION FOR SANCTIONS IS GRANTED

Petitioner moves that the Board invoke its inherent powers and sanction respondent for her conduct in bringing this motion. Petitioner alleges that harassment was the sole purpose for respondent's allegations of sales tax evasion and other violations of California law, and the submission by respondent of documents from the divorce proceedings of one of petitioner's officers. Inasmuch as respondent's allegations and submissions are not related to the issue of trademark use central to this Board proceeding, or a pleaded affirmative defense, we agree. *VIP Foods, Inc., v. V.I.P. Food Products*, 200 USPQ 105 (TTAB 1978) ("the misconduct complained of must be considered in relation to the proceeding in which it is sought to be invoked.").

Respondent repeats several times her legal conclusion that petitioner's business is conducted in violation of California laws and regulations, and alleges that

⁷ Although we have only mentioned a few genuine issues of material fact in this decision, that is not to say that there are not other factual issues that may be disputed.

The parties should note that evidence submitted in support of or in opposition to a motion for summary judgment is of record only for consideration of that motion. Any such evidence to be considered at final hearing must be properly introduced in evidence during the appropriate trial period. See *Levi Strauss & Co. v. R. Joseph Sportswear Inc.*, 28 USPQ2d 1464 (TTAB 1993).

"petitioner has acted unethically" (p.7), and that petitioner's officer "Hurren willfully intended to deceive the court so that his support obligations would be lessened" (p. 8). In the absence of any finding by a California court or agency that petitioner's business practices are unlawful, we grant the motion for sanctions and order respondent to refrain from any repeat of her conclusions on the lawfulness of petitioner's business conduct in any paper filed in this proceeding. Respondent is also ordered to refrain from offering her opinion regarding petitioner's ethics or the motives of an officer of petitioner in conducting his personal affairs in any paper filed in this proceeding.

In addition to the Board's inherent authority to impose sanctions, sanctions may also be sought through a motion under Fed. R. Civ. P. 11.⁸ Fed. R. Civ. P. 11 certification

⁸ Fed. R. Civ. P. 11(b) states:
By presenting to the court a pleading, written motion, or other paper – whether by signing, filing, submitting, or later advocating it – an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

(1) it is not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

(2) the claims, defenses, and other legal contentions are warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law or for establishing new law;

(3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information

standards apply to parties as well as attorneys. See *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*, 498 U.S. 533, 547, 111 S.Ct. 922, 112 L.Ed.2d 1140 (1991) and *Central Manufacturing Inc. v. Third Millennium Technology Inc.*, 61 USPQ2d 1210, 1213 (TTAB 2001) (authority to sanction pro se party "is manifestly clear."). If the Board determines that any Rule 11 motion lacks merit, the motion itself can be viewed as sanctionable. See Fed. R. Civ. P. 11(b) and (c) ("As under former Rule 11, the filing of a motion for sanctions is itself subject to the requirements of the rule and can lead to sanctions." Advisory Committee's note (1993)); *Baron Philippe de Rothschild S.A. v. Styl-Rite Optical Mfg. Co.*, 55 USPQ2d 1848, 1848 fn2 (TTAB 2000).

Because this is the second denial of a motion for summary judgment filed by respondent, respondent is barred from filing any further motions for summary judgment.

In addition, before filing any unconsented motion or paper in this proceeding, respondent is ordered to obtain the express permission of the Board by phoning Board attorney Elizabeth Dunn at 571-272-4267.

Because the proper scope of this proceeding was discussed in the Board's September 22, 2009 order, the parties are advised to review that order and the Board's strictures on the conduct of trial depositions, particularly

the strong recommendation that the parties bring any disputes as to the scope of the deposition to the attention of the Board before the deposition takes place.

LEGAL REPRESENTATION IS STRONGLY ENCOURAGED

While Patent and Trademark Rule 10.14 permits any person to represent itself, it is generally advisable for a person who is not acquainted with the technicalities of the procedural and substantive law involved in inter partes proceedings before the Board to secure the services of an attorney who is familiar with such matters. The Patent and Trademark Office cannot aid in the selection of an attorney. Strict compliance with the Trademark Rules of Practice and where applicable, the Federal Rules of Civil Procedure, is expected of all parties before the Board, whether or not they are represented by counsel. *McDermott v. San Francisco Women's Motorcycle Contingent*, 81 USPQ2d 1212, 1212 (TTAB 2006).

Respondent is advised that an inter partes proceeding before the Board is similar to a civil action in a Federal district court. No paper, document, or exhibit will be considered as evidence in the case unless it has been introduced in evidence in accordance with the applicable rules.

PROCEEDINGS RESUMED AND PETITIONER'S TIME FOR FILING AMENDED FRAUD CLAIM IS RESET

Proceedings herein are resumed. Pursuant to the Board's September 22, 2009 order, petitioner is allowed until thirty days from the mailing date of this order to file and serve an amended fraud claim which comports with standards established in *In re Bose Corporation*, 476 F.3d 1331, 91 USPQ2d 1938 (Fed. Cir. 2009). If no amended fraud claim is filed, this proceeding will go to trial on the pleaded claims of priority and likelihood of confusion, and non-use, and respondent's affirmative defenses.

If an amended fraud claim is filed, respondent is allowed thirty days from the date of service in which to file and serve its answer.

DISCOVERY PERIOD:

CLOSED

Thirty-day testimony period for party in position of plaintiff to close:

June 15, 2010

Thirty-day testimony period for party in position of defendant to close:

August 14, 2010

Fifteen-day rebuttal testimony period to close:

September 28, 2010

In each instance, a copy of the transcript of testimony together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125.

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Briefs shall be filed in accordance with Trademark Rules 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.129.
