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

Proceeding	92048260
Party	Plaintiff i play. inc.
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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

i play. inc., a North Carolina corporation,	)	
Cancellation Petitioner,	)	Cancellation No. 92048260
v.	)	Registration No. 2,923,675 International Class 28
INTERNATIONAL PLAYTHINGS, INC., a Delaware Corporation,	)	
Registrant.	)	

REPLY BRIEF OF CANCELLATION PETITIONER

i play. inc.

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

i play. inc., a North Carolina corporation, Cancellation Petitioner, v. INTERNATIONAL PLAYTHINGS, INC., a Delaware Corporation, Registrant.	Cancellation No. 92048260 Registration No. 2,923,675 International Class 28

REPLY BRIEF OF CANCELLATION PETITIONER

I. Introduction

This follows and is in reply to the "Brief of Respondent International Playthings, Inc.," as well as Respondent's separate paper captioned "Respondent's Evidentiary Objections to Petitioner's Evidence and Motion to Strike Petitioner's Notice of Reliance Dated October 2, 2008." The two papers are inextricably linked.

Thus, and with reference to the "Introduction" section of Respondent's Brief, Respondent's/Registrant's basis for its defense of its registration is stated as follows: "The basis for Respondent's position is that contrary to the Petitioner's position, there will not be a likelihood of confusion between Respondent's mark used in connection with the goods set

forth in its registration and Petitioner's mark with respect to the goods set forth in its two pending applications." (Underlining added.)

Consistent with Respondent's position, Respondent in its Brief refers in a number of places to Petitioner's "admissible evidence" before the Board, and Respondent systematically objects to essentially all of Petitioner's evidence of prior use. To the contrary, Petitioner's evidence is admissible, as discussed hereinbelow under the heading "VIII. Response to Respondent's Evidentiary Objections and Motion to Strike beginning on page 9.

Respondent challenges Petitioner's earlier-stated position that priority of use "does not appear to be a contested issue in the case." (Brief of Cancellation Petitioner, page 10.) Respondent's position is that Petitioner's proved use of its mark i:play. is limited to "possibly non-disposable swim diapers;" and Respondent correspondingly places great emphasis on Petitioner's two pending applications Serial Nos. 78/791,447 and 78/791,467.

For Respondent's above-quoted position to prevail logically requires that essentially all of Petitioner's evidence of prior use be disregarded.

Notwithstanding Respondent's arguments in the paragraph at the bottom of the first page beginning with "Even if Petitioner's evidence was admissible ... ," Respondent's primary reliance on its position that Petitioner's evidence is not admissible carries with it the strong implication in the nature of an admission that likelihood of confusion is established if Petitioner's evidence is admitted and considered, as it should be.

Issues raised by Respondent's Brief, Evidentiary Objections, and Motion to Strike are addressed below, generally in the order presented in Respondent's papers.

II. Sales by the Parties; *Du Pont* Factor: The Similarity Or Dissimilarity of Channels of Trade.

Respondent, in its Brief, emphasizes that Respondent is in the wholesale business of toys and other products, and that "Respondent does not sell directly to the ultimate customer." (Respondent's Brief, page 4.) Respondent, in an attempt to distinguish channels of trade, points out that Petitioner in some cases does sell its goods directly to the ultimate consumer or end user. (Respondent's Brief, pages 11 and 12.)

In reply, at the outset, in the identification of Reg. No. 2,923,675 which Petitioner seeks to cancel, there is no limitation to "wholesale." Rather, specific consumer goods are identified, and it is ultimate consumers who are likely to be confused. (However, other parties have been confused, including one of Petitioner's own distributors, as indicated by recent correspondence which has not been submitted as evidence.)

Even so, both parties sell their goods through wholesale channels. The fact that Petitioner also has some direct retail sales is not particularly relevant. As two examples evidencing Petitioner's wholesale business, Petitioner's Exhibit 4 (Cannon dep., page 8) includes an i play.™ "Price List and Order Form Effective October 27, 1996" which clearly is a wholesale price list. Thus, "Minimum total order $100.00" and "First orders prepaid net 30 with approved credit FOB Asheville, NC." Likewise, Petitioner's Exhibit 13 (Cannon dep., page 11) includes a more extensive multiple-page "order form" with the "2006 Collection" catalog which clearly is for use by retailers or distributors. Thus, "Minimum Total Order $100.00" and "PLEASE ORDER IN MULTIPLES OF CASE QUANTITIES."

III. *Du Pont* Factor: The Similarity or Dissimilarity of the Marks.

On pages 8 and 9 of its Brief, as a factor which supposedly negates or minimizes likelihood of confusion, Respondent states that the "I" in its "I PLAY" refers to "international," the first word of Respondent's corporate name, and asserts that "Respondent's use of its trademark [is] always in association with its house mark INTERNATIONAL PLAYTHINGS."

In reply, that usage may or may not be so with reference to Respondent's own use, but such does not reflect the usage in the actual consumer marketplace.

Moreover, contrary to Respondent's position, such does not negate the almost identical nature of the marks themselves, whether in word form I PLAY and I PLAY., or logo form i play and i play. Significantly, the mark itself of Reg. No. 2,923,675 at issue does not include the word "international."

IV. *Du Pont* Factor: Fame of the Prior Mark.

On pages 14 and 15 of its Brief, Respondent modifies the *Du Pont* factor by adding the word "relative" prior to "fame," and then proceeds to assert that Respondent's sales volume is higher. Respondent's approach is a total misapplication of this particular *Du Pont* factor, and its logical extension would entirely negate reverse confusion cases such as *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 195 USPQ 417 (10th Cir. 1977).

V. Petitioner's Change of Name.

Effective March 18, 2008 Petitioner formally changed its corporate name from "Family Clubhouse, Incorporated" to "i play. inc." (Præcipe filed August 7, 2008), after many years of "doing business as" i play. Respondent somehow finds great significance in this fact.

In reply, what is relevant is that Petitioner has been doing business as "i play." since 1995 (Cannon dep., pages 5-6) and has been employing the i play.™ trademark on packaging at least since 1996. On the i play.™ "Price List and Order Form Effective October 27, 1996" included as part of Petitioner's Exhibit 4 (Cannon dep, page 8), the only company name which appears on that price list is i play™. There is no reference to the formal corporate name Family Clubhouse, Incorporated. That wholesale price list includes the statement "ALL ITEMS ARE PACKAGED IN NEW i play™. PACKAGING." Petitioner's two pending applications Ser. Nos. 78/791,447 and 78/791,467, filed January 13, 2006, both originally named the owner as "Family Clubhouse, Incorporated d/b/a i play." The later change in corporate name registered with the North Carolina Secretary of State is a formality which customers had little reason to even be aware of. Petitioner has been known as i play. at least since 1996, and its products have been sold under the i play. or i play. brand at least since 1996.

Respondent specifically makes an issue of Petitioner's change of corporate name in its Brief, in the paragraph bridging pages 16 and 17, with reference to the letter from the U.S. Consumer Product Safety Commission, asserting that "the letter was sent to Petitioner as a result of Petitioner changing its corporate name in 2008 from Family Clubhouse, Inc. to i play. inc." Respondent goes on, "It is submitted, but for the change in corporate name, Petitioner would not have received the letter." Such conclusion is entirely without basis.

VI. <u>Litigation Settlement Agreement.</u>

During the testimony of Michael J. Varda (Varda dep., pages 53-55), Respondent proffered a litigation "Settlement Agreement", as Respondent's Exhibit 23. Cancellation

Petitioner has objected to the admissibility on the basis the exhibit and testimony related thereto are not relevant. Even if admitted, the "Settlement Agreement" does not have the import Respondent asserts.

Respondent, in its Brief, relies upon that litigation "Settlement Agreement" in two places. On page 19 of Respondent's Brief, under the heading for the *Du Pont* factor "Market Interface," Respondent refers to Petitioner's agreement "not to use its i play. and DESIGN trademark on toys" as "evidence as to where the parties believe that the market interface is." On page 21 of Respondent's Brief, Respondent again refers to that litigation "Settlement Agreement" as "relevant to the fact that Petitioner and Respondent believed in view of such Settlement Agreement that the parties could co-exist in the marketplace since the goods sold by each party do not travel in the same channels of trade if each party maintains it use of the trademark on the goods set forth in Respondent's registration and Petitioner's applications."

In reply, and quite simply, the litigation "Settlement Agreement" does not include the language nor have the meaning and relevance Respondent would ascribe to it.

At the outset, that "Settlement Agreement" was entered into in settlement of actual federal court litigation in Respondent's home court in New Jersey, in litigation initiated by Respondent, in a venue distant from Petitioner. (As an aside, that litigation was essentially without basis, having been aggressively initiated, without even a warning, based on an erroneous article in the *Wall Street Journal* (Cannon dep., pages 21-22)).

Inherently, the cost, disruption and pressure of such litigation is high. Settlement of such litigation represents many decision factors, and does not in any way logically follow from any belief held by Petitioner as Respondent asserts as quoted above. The settlement is addressed in the testimony of Becky Cannon (Cannon dep., pages 21-22). Quoting Ms.

Cannon: "We agreed not to sell toys under the i play brand, but that was a marketing decision. We never intended to sell toys under the i play brand, although I feel like that we should be able to if we wanted to."

The essence of the agreement is simple and straightforward: Petitioner herein ("i play" in the Settlement Agreement) agreed not to use the i play and DESIGN trademark in connection with any toy product, and Respondent herein ("IPTI" in the Settlement Agreement) would dismiss the civil action, which has occurred.

Significantly, what is not found in that Settlement Agreement is any consent by Petitioner that Respondent can itself continue to use the trademark I PLAY on toys. Thus, there is nothing in that "Settlement Agreement" which precludes the subject cancellation proceeding. Petitioner has been consistent in its position that Respondent's use of I PLAY as a trademark creates a likelihood of confusion.

The litigation "Settlement Agreement" represents nothing more than Petitioner's business decision, under the pressure of expense and disruption of federal court litigation, to agree to restrict itself to employing a different mark in connection with toys. No other inference can be drawn.

VII. Trademark Co-Existence and Consent Agreement.

Registrant has twice proffered and Petitioner has both times objected to the admission of a "Trademark Co-Existence and Consent Agreement" dated August 31, 2007, which is of record in both of Petitioner's application Serial Nos. 78/791,447 and 78/791,467 (Respondent's Exhibit 20).

Respondent, in its Brief, refers and attempts to rely upon that "Trademark Co-Existence and Consent Agreement" in two instances: on page 18 of Respondent's Brief, under the heading for the *Du Pont* factor Market Interface, and again on pages 19 and 20 under the heading "Petitioner's Principal's Testimony Should be Given Little Weight." Respondent, in its Brief, in referring to Petitioner, employs such characterizations as "less than candid with the Trademark Office," "Ms. Cannon will do or say anything to get Petitioner's marks registered," "Ms. Cannon and the Petitioner want it both ways such that representations are made as to matters that are expedient at the time," and "trying to pull the wool over the Trademark Office's eyes or create a subterfuge in order to obtain a registration."

To the contrary, there is nothing sinister nor unusual in either Ms. Cannon's or Petitioner's actions and positions in this regard, nor in the actions of Petitioner's undersigned attorney.

Respondent (on page 20 of its Brief), in answering Petitioner's evidentiary objection, asserts that the "Trademark Co-Existence and Consent Agreement" is offered merely "to demonstrate that Petitioner has taken inconsistent positions," and asserts that the "document is available for the Board's review and consideration."

To the contrary, the document should not be considered.

Quoting from paragraph III. B. of the document itself:

> "In the event the USPTO maintains the Section 2(d) refusals in either or both of application Serial Nos. 78/791,447 and 78/791,467 in view of Reg. No. 2,923,675 notwithstanding the submission of this Agreement, the Parties' consents and agreements under paragraph III. A. above are nullified, Family Clubhouse may initiate a cancellation proceeding against Reg. No. 2,923,675, IPI may set out any defenses as it sees fit, and no part of this Agreement may be referred to or relied upon to the contrary."

The event condition having occurred, the document by its express terms is ineffective and not to be referred to or relied upon.

Respondent argues that the "Trademark Co-Existence and Consent Agreement" did not arise out of settlement negotiations (Respondent's Brief, the paragraph bridging pages 20 and 21), and characterizes the agreement as simply something that was "requested by the Petitioner and was signed by the Respondent since Respondent did not believe that with respect to each of the parties' goods, there would not be a likelihood of confusion."

That characterization is a gross oversimplification. Clearly the "Trademark Co-Existence and Consent Agreement" was an attempt at settlement of a controversy between the parties, and Respondent had a strong motivation to enter into the agreement. Now-ineffective paragraph III. A. of the document includes the agreement that "Family Clubhouse agrees that it will not initiate a cancellation proceeding against Reg. No. 2,923,675."

Quoting the testimony of Becky Cannon, on cross-examination, with reference to the "Trademark Co-Existence and Consent Agreement,": "I think it was part of that process that we were trying to get our trademark back, and I didn't believe that it was not a likelihood of confusion, I believe that there was a likelihood of confusion, but I was willing to work it out at the time ... if International Playthings had been willing to work it out." (Not of record in the subject cancellation proceeding is correspondence between the respective attorneys for Petitioner and Respondent in connection with that agreement.)

In Petitioner's responses filed 9/12/2007 in application Serial Nos. Nos. 78/791,447 and 78/791,467, the actual argument and representations <u>made to the examining trademark attorney</u> in essence were simply that a "Trademark Co-Existence and Consent Agreement" had

been entered into, and that the agreement had been carefully drafted in view of TMEP 1207.01(d)(viii), and the cases there cited. In that same paper, Petitioner expressly pointed out that Petitioner "did not previously argue that no likelihood of confusion exists." Moreover, Petitioner pointed out that "[i]n the event the current "Trademark Co-Existence and Consent Agreement" is not accepted by the trademark examining attorney as sufficient to overcome the Section 2(d) refusal in the subject application, applicant is not precluded from initiating a cancellation proceeding against Reg. No. 2,923,675."

The statements made in the "Trademark Co-Existence and Consent Agreement" and signed by Becky Cannon are simply part of an ineffective contract between the parties in an attempt to resolve an impending controversy.

VIII. Response to Respondent's Evidentiary Objections and Motion to Strike.

As noted in the introduction above, Respondent has objected to the admissibility of nearly all of Petitioner's exhibits. (Indeed, Respondent is essentially forced to take this position if it is to successfully defend its registration, since Petitioner's evidence well establishes priority of use, both trademark and trade name, and likelihood of confusion.)

Respondent's evidentiary objections and motion are addressed in order below.

A. Petitioner's Exhibit No. 1

The objection to the exhibit as well as to the underlying testimony is on the asserted basis of hearsay.

In response, the document was authenticated by direct testimony of Ms. Cannon (Cannon dep., pages 5 and 6) essentially as a business document created at the time they hired a marketing company. A relevant fact, part of Ms. Cannon's direct testimony based on her

own recollection and with reference to that document, is that the name i play. was created in 1995.

B. Petitioner's Exhibit No. 2

The objection to Exhibit No. 2 and the corresponding testimony basis is on the asserted basis of relevancy.

In response, the relevancy is that Reg. No. 2,115,786, even though lapsed, is evidence that Petitioner was using the mark i play. in 1996. Ms. Cannon also testified that, in 1997, the product line was not limited to the identified non-disposable swim diapers (Cannon dep., page 6).

C. Petitioner's Exhibit Nos. 4-21

Respondent systematically objects to all of Petitioner's evidence of use and corresponding testimony on a number of asserted bases, including being irrelevant and "not evidence of actual trademark use in interstate commerce to support registration."

As to the objection quoted just above, Petitioner's evidence is not being offered to support registration. The exhibits are offered as evidence of prior use of the trademarks I PLAY. and i play. on a variety of products, as well as evidence of use of i play. as a trade name.

In any event, despite the formulistic objections, Petitioner's exhibits are consistent with each other, and taken together, well evidence a growing line of I PLAY.-branded products beginning in 1996 and increasing over the years as the company grew. The evidence should be admitted and considered, along with the corresponding testimony.

D. Petitioner's Exhibit No. 22

Respondent has objected to the consumer confusion letters and the related testimony on the asserted basis of hearsay.

The testimony is that the letters were received.

E. Petitioner's Exhibit Nos. 26-30

The exhibits, which are the results of "shop by brand" searches on various retailer websites, are objected to on the asserted basis of irrelevancy.

The relevancy of the documents is as appears on their face. A consumer employing "shop by brand" function on the various websites looking for I PLAY-branded toys will be presented with products from both Petitioner and Respondent on the same page, with no particular distinction between them. To the customer, they are all "I PLAY" products.

F. Notice of Reliance October 2, 2008

Respondent moves to strike a letter "allegedly" from the U.S. Consumer Product Safety Commission.

Receipt of the letter was authenticated by direct testimony, and the letter is admissible as an official record of the U.S. Consumer Product Safety Commission.

Respectfully submitted,

i play. inc.

By: _____

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Dated: July 20, 2009

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **REPLY BRIEF OF CANCELLATION PETITIONER** has been served on counsel for Registrant this 20th day of July, 2009 via first class mail, postage prepaid to:

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