

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
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coggins

Mailed: January 27, 2011

Opposition No. 91193052

Fred's Capital Management
Company

v.

Fred Beverages, Inc.

Cancellation No. 92048454

Fred Beverages, Inc.

v.

Fred's Capital Management
Company

Before Kuhlke, Walsh and Bergsman,
Administrative Trademark Judges

By the Board:

These cases now come up on petitioner's combined motion (in Cancellation No. 92048454) to amend the petition for cancellation and to extend the discovery period.

Background

On November 13, 2007, petitioner filed a petition for cancellation on the ground of abandonment against Class 32

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of Registration No. 3051906, a twelve-class registration. Cancellation No. 92048454 was instituted, and approximately nine months later, petitioner filed a motion to amend the petition to assert fraud as an additional ground against Class 32, to assert abandonment as a new ground for cancellation against Classes 2, 25, 28, and 29, to assert fraud as a new ground for cancelling Classes 1, 2, 3, 5, 6, 8, 16, 25, 28, 29, and 31, and to extend the discovery period by three months. Petitioner also filed a combined motion to compel, to test the sufficiency of responses, and for sanctions. In response to petitioner's motions, respondent filed a voluntary surrender of its Class 32.

In a June 26, 2009 order, the Board granted respondent's motion to voluntarily surrender Class 32; entered judgment against respondent as to Class 32 on the ground of abandonment; granted the petition for cancellation of Class 32; denied as moot petitioner's combined motion to compel, to test the sufficiency, and for sanctions; and denied petitioner's motion to amend the petition for cancellation for failure to pay the fee required for each new class against which cancellation was sought.

Petitioner appealed the Board's denial of the motion to amend to the U.S. Court of Appeals for the Federal

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Circuit. During the pendency of the appeal, respondent filed Opposition No. 91193052 against petitioner's pleaded application. On May 12, 2010, the court reversed the denial of the motion to amend in Cancellation No. 92048454, and remanded the case to the Board. *See Fred Beverages Inc. v. Fred's Capital Management Co.*, 94 USPQ2d 1958 (Fed. Cir. 2010). On January 12, 2011, petitioner filed with the Board in the cancellation proceeding a "request for action" in response to the decision of the court.

Decorum

Shortly after our June 26, 2009 order issued, counsel for petitioner telephoned the Board to express his displeasure with that order. Petitioner's *ex parte* communication with the Board raises two issues. First, we remind counsel that all parties before the Board "are required to conduct their business with decorum and courtesy." Trademark Rule 2.192. *See also* Patent and Trademark Rules 10.20(b), 10.23(c)(4)(i), 10.93(b), 11.19(b)(1)(iv), and 11.20. Second, it is improper for petitioner to have an oral *ex parte* communication "as to the merits of the cause" with the Board in an *inter partes* proceeding without adequate notice to opposing counsel. Patent and Trademark Rule 10.93(b).

Cancellation Fee

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Petitioner's request for action states that the Board should consider the motion to amend "without regard to the fee issue." (Request, p. 1.) However, consistent with the court's comments, the Board maintains discretion to either grant or defer ruling on the motion to amend and set a subsequent deadline for payment of the underlying fee. See *Fred Beverages Inc.*, *supra*, 94 USPQ2d at 1960. Because of the posture of this case, we exercise our discretion to take up the motion before requiring payment. However, before determining the motion to amend, we address a procedural issue.

Consolidation

It has come to the attention of the Board that Opposition No. 91193052 and Cancellation No. 92048454 involve the same parties and may involve common questions of law and fact. Cancellation No. 92048454 is, in effect, a permissive counterclaim to Opposition No. 91193052. It is therefore appropriate to consolidate these proceedings pursuant to Fed. R. Civ. P. 42(a).

Consolidation is discretionary with the Board, and may be ordered upon the Board's own initiative. See, for example, *Wright & Miller, Federal Practice and Procedure: Civil* §2383 (2004); *Regatta Sport Ltd. v. Telux-Pioneer Inc.*, 20 USPQ2d 1154 (TTAB 1991) (Board's initiative).

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Accordingly, the above-noted opposition and cancellation proceedings are hereby consolidated and may be presented on the same record and briefs. See *Helene Curtis Industries Inc. v. Suave Shoe Corp.*, 13 USPQ2d 1618 (TTAB 1989), and *Hilson Research Inc. v. Society for Human Resource Management*, 26 USPQ2d 1432 (TTAB 1993).

The Board file will be maintained in Opposition No. 91193052 as the "parent" case. The parties should no longer file separate papers (except for an amended answer in the cancellation proceeding) in connection with each proceeding. Only a single copy of each paper should be filed by the parties in the parent case, and each paper should bear the case caption as set forth above.

Motion to Amend the Petition

By way of its motion to amend the petition for cancellation against Registration No. 3051906, petitioner seeks to assert fraud as an additional ground for cancelling Class 32; to assert abandonment as a new ground for cancelling Classes 2, 25, 28, and 29; to assert fraud as a new ground for cancelling Classes 1, 2, 3, 5, 6, 8, 16, 25, 28, 29, and 31; and to extend the discovery period by three months.

Leave to amend pleadings must be freely given when justice so requires, unless entry of the proposed amendment

would violate settled law or be prejudicial to the rights of the adverse party or parties. *See Giersch v. Scripps Networks Inc.*, 85 USPQ2d 1306, 1310 (TTAB 2007); Fed. R. Civ. P. 15(a); TBMP § 507.02 (2d ed. rev. 2004). Where the moving party seeks to add a new claim or defense, and the proposed pleading thereof is legally insufficient, or would serve no useful purpose, the Board normally will deny the motion for leave to amend. *See Octocom Systems Inc. v. Houston Computer Services Inc.*, 918 F.2d 937, 16 USPQ2d 1783 (Fed. Cir. 1990). Thus, in deciding petitioner's motion for leave to amend, the Board must consider whether there is any undue prejudice to applicant and whether the amendment is legally sufficient. *See, e.g., Cool-Ray, Inc. v. Eye Care, Inc.*, 183 USPQ 618, 621 (TTAB 1974). The question of whether an adverse party would be prejudiced by allowance of the amended pleading in a Board case is largely dependent on the timing of the motion to amend. For example, the Board will liberally grant such motions when the proceedings are still in the pre-trial stage. *Id.*

Petitioner filed its motion to amend on August 26, 2008, during the discovery phase of the cancellation proceeding. Inasmuch as testimony had not opened when petitioner filed the motion, and information regarding the

new claim of abandonment resides with respondent, allowance of the proposed amendment would not be prejudicial to respondent. See, e.g., *Focus 21 International Inc. v. Pola Kasei Kogyo Kabushiki Kaisha*, 22 USPQ2d 1316, 1318 (TTAB 1992) (motion to amend filed prior to opening of petitioner's testimony period permitted); *Caron Corp. v. Helena Rubenstein, Inc.*, 193 USPQ 113 (TTAB 1976) (neither party had as yet taken testimony).

With regard to the legal sufficiency of the amended petition, we begin our inquiry with petitioner's alleged standing. Respondent argues that petitioner lacks standing to bring a claim against respondent's Classes 2, 25, 28, and 29. Specifically, respondent argues that petitioner's pleaded application was refused registration only in light of Class 32 of respondent's registration, and that while petitioner may have standing to maintain the proceeding against Class 32, petitioner does not have standing to cancel respondent's other classes. We disagree. To establish its standing, petitioner must prove that it has a "real interest" in the proceeding and a "reasonable basis" for its belief of damage. To plead a "real interest" in the case, it must allege a "direct and personal stake" in the outcome of the proceeding, and the allegations in support of its belief of damage must have a reasonable

basis in fact. See *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1027 (Fed. Cir. 1999); TBMP § 309.03(b) (2d ed. rev. 2004). If petitioner establishes its standing with respect to any pleaded ground for cancellation, it has the right to assert any other ground as well, that also has a reasonable basis in fact. See *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 188 (CCPA 1982); and *Enbridge Inc. v. Excelerate Energy LP*, 92 USPQ2d 1537, 1543 n.10 (TTAB 2009), citing *Liberty Trouser Co., Inc. v. Liberty & Co.*, 222 USPQ 357, 358 (TTAB 1983).

Here, petitioner has alleged that its pending application has been refused registration in light of respondent's existing registration.¹ The rejection of petitioner's trademark application on the basis of the challenged registration is a basis for petitioner's standing for all classes therein, not just for the single class which formed the basis of the refusal.² See *Lipton Industries, Inc.*, *supra*, 670 F.2d at 1029, 213 USPQ at 189 (to have standing,

¹ We note that after Class 32 of the subject registration was cancelled (following our order dated June 26, 2009), the Examining Attorney for petitioner's pleaded application withdrew the Section 2(d) refusal and approved the application for publication. Once published, respondent filed a timely notice of opposition against that application. It is this opposition that has been consolidated herein with the cancellation proceeding.

² The refusal, although subsequently withdrawn by the Examining Attorney, establishes petitioner's "real interest" in this proceeding.

it is sufficient for petitioner to "prove that it filed an application and that a rejection was made because of [respondent's] registration"); and *Liberty Trouser Co.*, *supra*, 222 USPQ at 358 (once standing is established for one claim it is established for all claims). Moreover, as noted above in the discussion of consolidation, this cancellation proceeding is, in effect, similar to a permissive counterclaim in the opposition proceeding. Accordingly, we find the allegation of petitioner's standing in the amended petition to be legally sufficient.³

Inasmuch as we have already entered judgment in petitioner's favor on the ground of abandonment for Class 32, we decline to entertain a determination on the merits on the ground of fraud for this class. See *Aycock Engineering Inc. v. Airflite Inc.*, 90 USPQ2d 1301, 1303 n.5 (Fed. Cir. 2009); and *SmithKline Beecham Corp. v. Omnisource DDS LLC*, 97 USPQ2d 1300, 1305 (TTAB 2010).

Accordingly, we need not consider whether the proposed

³ In briefing the motion to amend, petitioner provided an exhibit revealing that respondent had threatened, during the pendency of the cancellation proceeding, to oppose petitioner's pleaded application based, in part, on non-Class 32 goods covered by the subject registration. Inasmuch as respondent followed through with the threat to oppose (as noted above, in footnote 1), even though respondent did not plead the subject registration in that notice of opposition, respondent will not now be heard to argue that petitioner does not have standing to petition to cancel any other classes in the subject registration.

fraud ground for Class 32 (alleged in paragraphs 14-17 of the amended complaint) is legally sufficient, and petitioner's motion to amend is denied, in part, as to this ground.

In paragraph 21 of the amended complaint, petitioner asks that the involved registration be cancelled in its entirety, that is, for all twelve classes, due to the alleged "fraud perpetrated by" respondent as to Class 32. As the Board has recently noted, "each class of goods ... in a multiple class registration must be considered separately when reviewing the issue of fraud, and judgment on the ground of fraud as to one class does not in itself require cancellation of all classes in a registration." *G&W Laboratories Inc. v. GW Pharma Ltd.*, 89 USPQ2d 1571, 1574 (TTAB 2009). In view thereof, the relief sought by petitioner in paragraph 21 is unavailable and legally insufficient. Accordingly, petitioner's motion to amend is denied, in part, as to this ground.

With regard to the legal sufficiency of the new claim of abandonment for Classes 2, 25, 28, and 29, the Board finds that the amended pleading sufficiently sets forth a claim of abandonment. A sufficient claim of abandonment may be made by an allegation that use has been discontinued with no intent to resume such use. See Section 45 of the

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Trademark Act, 15 U.S.C. § 1127. Thus, petitioner's allegations in paragraph 18 that it conducted an investigation by visiting registrant's stores and found, or has reason to believe, that registrant is not using its mark on any of the goods listed in Classes 2, 25, 28, and 29, and that registrant has no intention to resume use of its mark for those classes, is sufficient to set forth a claim of abandonment. Accordingly, petitioner's motion to amend is granted, in part, as to this ground.

In accordance with our determination herein, we strike, *sua sponte*, paragraphs 14, 15, 16, 17 (alleging fraud as a ground for Class 32), and 21 (alleging fraud as a ground for the registration in its entirety) of the amended petition. Fed. R. Civ. P. 12(f)(1). See *Boswell v. Mavety Media Group Ltd.*, 52 USPQ2d 1600, 1603 n.2 (TTAB 1999). The amended petition for cancellation, submitted as Exhibit 1 to the motion to amend, as stricken herein, will serve as petitioner's operative pleading.

Petitioner is allowed until February 14, 2011, in which to pay the appropriate fee for adding Classes 2, 25, 28, and 29 to the cancellation proceeding, failing which,

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the amended petition will be dismissed.⁴ Respondent is allowed until March 1, 2011, in which to file an answer to the amended petition, as stricken, in the cancellation proceeding.

Motion to Extend Discovery

In view of our consolidation of the opposition and cancellation proceedings, dates for the consolidated cases are reset herein below, and petitioner's motion to extend is granted to the extent modified herein. The new dates contemplate the longer schedule of the more recently filed opposition proceeding (which has been extended five times by consent of the parties) and a mandatory settlement and discovery conference on the newly added ground of abandonment in the cancellation proceeding.

Summary

Proceedings are consolidated.

Petitioner's motion to amend is granted, in part, as to the ground of abandonment against Classes 2, 25, 28, and 29; but is denied, in part, as to the grounds of fraud.

Petitioner is allowed until February 14, 2011, in which to pay the appropriate fee for adding Classes 2, 25,

⁴ The fee for filing a petition to cancel is \$300 per class. Trademark Rule 2.6(a)(16). The cost of adding Classes 2, 25, 28, and 29 to this proceeding is \$1200.

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28, and 29 to the cancellation proceeding, failing which, the amended petition will be dismissed.

Paragraphs 14, 15, 16, 17, and 21 are stricken from the amended petition.

Respondent is allowed until March 1, 2011, in which to file an answer to the amended petition in the cancellation proceeding.

Schedule

Dates for these consolidated proceedings are reset on the following schedule which uses the abbreviation "FCM" for Fred's Capital Management Company, and "FBI" for Fred Beverages, Inc.

FBI's Cancellation Fee Due	February 14, 2011
FCM's Answer to Amended Petition Due	March 1, 2011
Deadline for Discovery Conference on Issues Raised by Amended Petition and Answer thereto	March 31, 2011
Initial Disclosures Due	April 30, 2011
Expert Disclosures Due	August 28, 2011
Discovery Closes	September 27, 2011
FCM's, as Plaintiff in the Opposition, Pretrial Disclosures	November 11, 2011
30-day testimony period for FCM, as Plaintiff in the Opposition, testimony to close	December 26, 2011
FBI's, as Defendant in the Opposition and Plaintiff in the Cancellation, Pretrial Disclosures	January 10, 2012
30-day testimony period for FBI, as Defendant in the Opposition and Plaintiff in the Cancellation, to close	February 24, 2012

FCM's, as Cancellation Defendant and Opposition Plaintiff, Rebuttal Disclosures Due	March 10, 2012
30-day testimony period for FCM, as Defendant in the Cancellation and rebuttal testimony as Plaintiff in the Opposition, to close	April 24, 2012
FBI's, as Cancellation Plaintiff, Rebuttal Disclosures Due	May 9, 2012
15-day rebuttal period for FBI as Plaintiff in the Cancellation to close	June 8, 2012
Brief for FCM due	August 7, 2012
Brief for FBI, as Defendant in the Opposition and Plaintiff in the Cancellation, due	September 6, 2012
Brief for FCM, as Defendant in the Cancellation and reply brief, if any, as Plaintiff in the Opposition, due	October 6, 2012
Reply brief, if any, for FBI as Plaintiff in the Cancellation, due	October 21, 2012

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. 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.