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

Proceeding	92051821
Party	Defendant DVD Format/Logo Licensing Corporation
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Submission	Motion to Dismiss - Rule 12(b)
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Attachments	Opposition to Dismissal Motion 602.pdf (24 pages)(51835 bytes)

PETITIONER'S OPPOSITION ARGUMENT

Registrant seeks to dismiss the Petition in this action in its entirety under Federal Rules of Civil Procedure Section 12(b)(6) as authorized by 37 C.F.R. Sect. 2.116 applicable to this action. In sum, Registrant is arguing that the principles of *res judicata* bar the Petition from proceeding and in the alternative the Petition fails to state a claim under which relief can be granted¹.

Summary

Petitioner respectfully opposes Registrants motion and asks the Board to dismiss the same for the following grounds:

1. Petitioner's Claims in the Cancellation are not barred by *res judicata* because:
 - a. The Registration that is the subject of the instant Petition to Cancel was not alleged as being infringed by Petitioner/Defendant in the TRADEMARK ACTION, and therefore it is not subject to the stipulated judgment of dismissal.
 - b. The Cancellation Claims and the Counterclaims are different;
 - c. Those Cancellation Claims that resemble the Counterclaims are not subject to same issue preclusion or to same claim preclusion; and
 - d. Public policy favors freely allowing challenges to the validity of intellectual property protection.
2. Petitioner's Claims in the Cancellation should not be dismissed for failure to state a claim because:
 - a. Petitioner's Claims are legally sufficient; and
 - b. Petitioner should be granted leave to amend any claims deemed to currently be legally insufficient.

¹ In its moving papers Registrant seeks to rely upon facts that have not been judicially noticed by this body and Registrant has not filed any notice of reliance. In doing so Registrant is also asking this tribunal to go beyond the face of the Petitioner's pleading. (See footnote 1 of moving papers). This reliance is fatal to their argument, particularly the alleged "failure to state a claim" arguments.

1. Petitioner's Claims in the Cancellation are not barred by *res judicata*.

Summary of Registrant's Argument

Registrant DVD/FORMAT/LOGO LICENSING CORPORATION (hereafter "DVDFLLC" or "Registrant") first argument is one of *res judicata* based on claim preclusion. The Order of dismissal with prejudice of the counterclaims brought by Registrant (after stipulation of the same parties to this remedy) in the prior United States District Court federal court action *DVD/FLCC/Logo Licensing Corporation v. U-Tech Media Media USA LLC and Zoba International Corp dba CD Digital Card* No. 09 Civ. 5461 (hereafter the "TRADEMARK ACTION") is alleged as precluding the instant trademark cancellation claims brought by Petitioner ZOBA INTERNATIONAL CORP, dba CD DIGITAL CARD (hereafter "ZOBA" or "Petitioner"). (See Exhibit 1 attached to Registrant's instant Motion (Answer and Counterclaims of ZOBA) and Exhibit 2 (Stipulation and Order) also attached thereto.

a. The Registration that is the subject of the instant Petition to Cancel was not alleged as being infringed by Petitioner/Defendant in the TRADEMARK ACTION, and therefore it is not subject to the stipulated judgment of dismissal.

Petitioner makes a point ignored by Registrant in its Motion - that Registrant's Registration Number 2,711,602 was not alleged by Registrant/Plaintiff in the TRADEMARK ACTION against Petitioner. Consequently, there can be no issue of *res judicata* because the '602 registration was not subject to the stipulated judgment for

dismissal, and was not thereby adjudicated.

Furthermore, the Board, in response to Registrant's unopposed motions, has consolidated the Cancellation Petitions for Registration No. 2,711,602 with those Cancellation Proceedings for the two Registrations asserted by Registrant/Plaintiff against Petitioner (2,295,726 and 2,381,677). Dismissal of the '726 and '677 Claims would not stop the Proceeding as it applies to the '602.

b. The Cancellation Claims and the Counterclaims are different.

A comparison of the Cancellation Claims to the Counterclaims (2nd – 5th) reveals that the two sets of Claims do not match, and therefore are not the same:

Cancellation Claim

Counterclaim

I. FRAUD – IMPROPER STATEMENT
OF USE UNDER 15 U.S.C. § 1051

II. ABANDONMENT –
UNCONTROLLED LICENSING

III. ABANDONMENT – FAILURE TO
POLICE 15 U.S.C. § 1127

IV. ABANDONMENT –
NONUSE/MISUSE 15 U.S.C. §§ 1054 and
1127

V. Wrongful misuse of the market power
in violation of U.S. Antitrust laws (second
counterclaim)

VI. The Mark is generic and/or descriptive
and/or functional in connection with the
product for which it is registered (third
counterclaim)

VII. DVDFLLC does not use the DVD logo as a trademark for its own goods. Submitted specimens were examples or images used by entities other than DVDFLLC (fourth counterclaim)

While each of the subject Counterclaims are entitled “Cancellation of Trademark,” as seen above, not all of the Cancellation Claims were plead by Petitioner as Counterclaims. In fact, only a single counterclaim is arguably under the same statutory authority as a Petition Claim. Even in that case (comparing I as related to VII), the counterclaim is very general in its allegations of fact and law, and does not clearly articulate the claim as does petition claim I, namely ‘Registrant fraudulently filed the Statement of Use setting forth goods in connection with which the subject Mark was then in use by THE LIMITED PARTNERSHIP (Applicant for the subject Mark). The Affidavit was fraudulent because the Specimens filed by Applicant in support of its Statement of Use were examples of a product manufactured by Panasonic, Inc.. Panasonic, Inc. was not a limited partner, agent, or licensee of THE LIMITED PARTNERSHIP.” [emphasis added] Although challenged in its motion as legally insufficient, clearly there is substantial factual and statutory basis articulated for this Claim.

Since the counterclaims subject to the stipulation and dismissal of the TRADEMARK ACTION are not the same claims as the Petition Claims, are not subject to the dismissal of the counterclaims, and therefore the Petition Claims are not barred by *res judicata*.

c. Those Cancellation Claims that resemble the Counterclaims are not subject to same issue preclusion or to same claim preclusion.

While Petitioner asserts that the Claims are not subject to *res judicata* because they are different than the Counterclaims, in the event that the Board disagrees, Petitioner respectfully asserts that the requirements of *res judicata* standard are not met, and therefore they should not be dismissed.

i. The *res judicata* standard

Registrant cites *Nasalok Coating Corporation v Nylok Corporation*² extensively in support of its arguments in its moving papers. Petitioner respectfully responds that Registrant has completely mischaracterized the holding of *Nasalok* as supporting Registrant's position in favor of granting its Motion. In fact, *Nasalok* clearly dictates the denial of Registrant's motion for the reasons set forth below.

While the Court in *Nasalok* held that the doctrine of *res judicata* did mandate the dismissal of Petitioner's claims in its Petition to Cancel, the facts related to the claims and the procedural history were materially different than the instant situation. Registrant in *Nasalok* had received a default judgment pursuant to the litigation that included an injunction against Petitioner; here, the judgment simply dismissed all claims. If not for this fact, Registrant's motion would have been dismissed for a variety of reasons articulated by the *Nasalok* Court.

² 522 F.3d 1320 (Fed. Cir. 2008)

Nasalok, issued in 2008, interpreting the earlier holding of Jet, Inc. v. Sewage Aeration Systems, therein articulates the test that is on-point to the instant matter, and therefore should control.

ii. Same issue preclusion does not apply.

Nasalok determined that while the doctrine of *res judicata* generally requires analysis of both claim preclusion and issue preclusion, issue preclusion was not considered. Issue preclusion or collateral estoppel, refers to the “effect of foreclosing relitigation of matters that have once been litigated and decided.”³ The Nasalok Court determined that “only the doctrine of claim preclusion is relevant in [that] case since the issues in the earlier case were not actually litigated,”⁴ because Plaintiff’s judgment was the result of a Default entered against Defendant/Petitioner.

Here, Petitioner and Registrant stipulated to a judgment dismissing the TRADEMARK ACTION, and therefore all of Petitioner’s counterclaims. This dismissal judgment was not an “actual litigation” of Petitioner/Defendant’s claims, and therefore same issue preclusion does not apply to support Registrant’s motion for dismissal.

iii. The same claim preclusion test as articulated and applied in Nasalok.

While the same issue prong of the Nasalok Court’s *res judicata* test does not apply, Petitioner’s claims must further overcome the “same claim preclusion” test as articulated by that Court. As articulated in Nasalok, the test used in Jet Inc. and articulated by Registrant, cannot be used as the exclusive test for same claim preclusion

³ *Id* at 5.

⁴ *Id.*

against a defendant in a first action. They held that “somewhat different rules of ‘defendant preclusion’ apply.”⁵ Under this test, a defendant is only precluded if (1) the claim or defense asserted in the second action was a compulsory counterclaim that the defendant failed to assert in the first action, or (2) the claim or defense represents what is essentially a collateral attack on the first judgment.⁶

Regarding element (1), the Nasalok Court shockingly stated that

Surprisingly, we have been unable to locate any court of appeals decisions, in our circuit or any other circuit, directly addressing the question of whether a claim of trademark invalidity is a compulsory counterclaim to a claim of trademark infringement. For several reasons we conclude that it is not.⁷

The Nasalok Court arrived at that conclusion because they held that the subject matter of the Plaintiff’s infringement claim in the first proceeding and the subject matter of the Cancellation claims by Petitioner/Defendant did not arise out of the same “transaction or occurrence.”⁸ Three tests are applied to determine whether or not later claims arise out of the same “transaction or occurrence”: (1) whether the legal and factual issues raised by the claim and counterclaim are largely the same; (2) whether substantially the same evidence supports or refutes both the claim and the counterclaim; and (3) whether

⁵ Id at 7 “See generally Wright, Miller & Cooper § 4414 (discussing rules and application of defendant preclusion)”.

⁶ See Baker v. Gold Seal Liquors, Inc., 417 U.S. 467, 469 n.1 (1974) (“A counterclaim which is compulsory but is not brought is thereafter barred”); Restatement (Second) of Judgments § 18(2) (defenses raised, or which could have been raised, in first action are not precluded in subsequent action, except when used to attack the judgment in the first action); id. § 22(2) (defendant who fails to interpose counterclaim in first action is precluded from maintaining action on the claim if counterclaim was compulsory in first action or if “successful prosecution of the second action would nullify the initial judgment or would impair rights established in the initial action”).

⁷ Nasalok at 7.

⁸ Essentially application of the FRCP Rule 13(a)(1).

there is a logical relationship between the claim and the counterclaim.⁹ For each of these tests, the question is the extent of factual overlap between what the plaintiff must establish to prove its claim and what the defendant must establish to prove its counterclaim. “The mere possibility that, as a result of affirmative defenses, the first suit might involve additional issues does not obligate the defendant to assert those affirmative defenses as a counterclaim.”¹⁰

Applying this test to the facts in that case, the *Nasalok* Court determined that the Petition Claims did not arise out of the same transaction or occurrence because Defendant’s potential affirmative defenses or counterclaims (that were never filed) did not form the basis for the Cancellation claims. The Court reached this conclusion because the two claims raised different legal and factual issues, would not be supported or refuted by substantially the same evidence, and were not “logically related”

Further expanding their holding, the Court in *Nasalok* opined that:

At the time of an infringement suit, it will be difficult to anticipate the new products and future disputes that may later arise between the two parties. A plaintiff who brings an infringement suit as to one allegedly infringing use of a mark would not be precluded from later bringing a second infringement suit as to another use; similarly, ***a defendant in the first infringement suit should not be precluded from raising invalidity of the mark in the second action simply because it was not raised as a counterclaim in the first action.****[emphasis added]*

and

⁹ See *Polymer Indus. Prods. Co. v. Bridgestone/Firestone Inc.*, 347 F.3d 935, 937 (Fed. Cir. 2003); *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 801 (Fed. Cir. 1999); see also 6 Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, *Federal Practice and Procedure* § 1410 (2d ed. 1990).

¹⁰ *Nasalok* at 9.

[T]reating challenges to trademark validity as compulsory counterclaims to infringement actions would violate the well-established policy of freely allowing challenges to the validity of claimed intellectual property protection.¹¹

Regarding element (2) of the “defendant preclusion” test, the *Nasalok* Court determined that, indeed, the effect of the later Cancellation proceeding would have the effect of attacking the judgment of the first action. The Court determined this because Registrant had been granted an injunction against Petitioner as a result of the judgment in the litigation – if Petitioner was allowed in the Cancellation proceeding to challenge the validity of Plaintiff’s asserted trademark registration, it would effectively undo the relief granted by the district court in the first action because allowing Petitioner to proceed on its cancellation petition would undoubtedly impair Registrant rights as established in the infringement action, in particular its rights under the injunction, and would constitute a collateral attack on the district court’s judgment.

iv. Same claim preclusion does not apply.

Here, as diagrammed above, all but one of the Claims relate to different statutory grounds and allege different facts than the Counterclaims. Petitioner has alleged Fraud facts and law, abandonment for failure to police facts and law, abandonment for uncontrolled licensing and abandonment for nonuse/misuse. None of these claims were plead in the TRADEMARK ACTION. Because the Claims and Counterclaims raise different legal and factual issues, would not be supported or refuted by substantially the same

¹¹ *Id* at 13

evidence, and are not “logically related.” Consequently, according to Nasalok, the Claims do not arise out of the “same transaction or occurrence,” and therefore the Claims are not compulsory.

Regarding element (2) of the “defendant preclusion” test, unlike Nasalok, where Plaintiff was granted a judgment that included injunctive rights against Defendant/Petitioner, here the stipulated judgment was simply a dismissal with prejudice. No rights were granted to either Plaintiff or Defendant beyond a release from those claims and counterclaims. As a result, allowing Petitioner to maintain its Petition to Cancel will not impair Registrant’s rights or constitute a collateral attack on the judgment.

Since the Claims were not compulsory in the TRADEMARK ACTION, and allowing the Cancellation to proceed will not constitute a collateral attack on the judgment of the district court, the Claims are not subject to *res judicata* for same claim preclusion, and the Motion should be denied.

c. Public policy favors freely allowing challenges to the validity of intellectual property protection.

The Nasalok Court stated that:

We have in particular recognized that the public policy in favor of allowing challenges to invalid marks weighs in favor of cabining the doctrine of *res judicata* at the Patent and Trademark Office.¹²

¹² Id. at 13, citing Mayer/Berkshire Corp. v. Berkshire Fashions, Inc., 424 F.3d 1229, 1234 (Fed. Cir. 2005) (“Caution is warranted in the application of preclusion by the PTO, for the purposes of administrative trademark procedures include protecting both the consuming public and the purveyors.”).

The Court considered this to be final support for their conclusion that challenges to the validity of a trademark registration should not be treated as compulsory counterclaims to trademark infringement actions. Petitioner respectfully asserts that this policy applied to the instant facts dictates that, in the interest of Public Policy, even if the Board were to conclude that there are some similarities between the Claims and the Counterclaims, the Petition should not be dismissed under the doctrine of *res judicata*, and Registrant's motion should be denied.

2. Petitioner’s Claims in the Cancellation should not be dismissed for failure to state a claim.

a. Petitioner’s Claims are legally sufficient

i. Standard of Review

The standard for dismissal under Rule 12(b)(6) is a stringent one.

“[A] complaint should not be dismissed for failure to state a claim unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” Hartford Fire Ins. Co. v. California, 509 U.S. 764, 811 (1993) (quoting Conley v. Gibson, 355 U.S. 41, 45-46 (1957)). For purpose of Rule 12(b)(6), the complaint must be construed in the light most favorable to the nonmoving party and its allegations taken as true. Scheuer v. Rhodes, 416 U.S. 232, 236 (1974).

The required contents of a petition for cancellation are stated in the Rules of Practice of Trademark Cases Section. 2.112 as follows:

2.112 (a) The petition for cancellation must set forth a short and plain statement showing why the petitioner believes he, she or it is or will be damaged by the registration, state the ground for cancellation, and indicate, to the best of petitioner’s knowledge, the name and current owner of the registration. See 37 C.F.R. Sect. 2.112.

To successfully prosecute a petition for cancellation, petitioner must plead and prove only two basic elements: (1) that it has standing to petition to cancel in that it is likely to be damaged by the registration; and (2) that there are valid grounds why the registration should not continue to be registered. See Section 20.41, page 20-101, *McCarthy on Trademarks* 2009 Thomson/Reuters West Rel/51 9/2009; *Cunningham v.*

Laser Golf Corp., 222 F.3d 943, 55 U.S.P. Q. 2d 1842 (Fed. Cir. 2000) (quoting and approving of treatise two-part test). .

Citing to USPTO Rule 11.18, the Registrant argues that Petitioner’s allegations are deficient because they are stated “upon information and belief.” This despite the fact that USPTO Rule 11.18 explicitly states that merely by signing the trademark document the signatory is certifying that “all statements made therein on information and belief are believed to be true.” Registrant appears to be attacking Petitioner counsel’s certification that the allegations and other factual contentions have evidentiary support – such attack is inappropriate at this preliminary stage of the Proceeding.¹³

ii. Petitioner properly pleads Fraud in the Statement of Use¹⁴.

The Ninth Circuit Court of Appeals has stated the following:

“Any false statements made in an incontestability affidavit may jeopardize not only the incontestability claim, but also the underlying registration [citations omitted]”¹⁵

In *Robi*, the Ninth Circuit upheld the district court’s finding that Five Platters Inc. “FPI” had filed a false incontestability affidavit, pursuant to 15 U.S.C.. Sect. 1065,

¹³ (See USPTO Rule 11.18(iii)). The present Petition in fact goes beyond the truly “bare bones” requirements allowed by the online filing process that only requires a “concise statement” of the facts. If Registrant’s argument is accepted then all filings would have to be supported by an attorney affidavit or Petitioner verification or declaration.

¹⁴ The *Torres* case, cited below, is also applicable to the Incontestability because the fraud in the declaration in support relates to their continued use.

¹⁵ *Robi v. Five Platters Inc.* 918 F.2D 1439, 1443 16 U.S.P.Q. 2d 2015 (9th. Cir., 1990).

submitted a false and misleading trademark application exemplar and had attempted to mislead the public.¹⁶

The Ninth Circuit in *Robi* held that while “the burden of proving that a party fraudulently procured a trademark registration is heavy” three registrations were in fact canceled based upon fraudulent statements made in the incontestability affidavit. *Robi v. Five Platters Inc.* at 1443.

Filing a fraudulent Incontestability affidavit provides a basis for canceling the registration itself. *Crown Wallpapering Corp. V. Wallpapers Manufactures Limited* , 188 U.S.P.Q. (BNA) 141, 144 (1975).

Under the current facts and pleadings, then, Petitioner clearly has provided sufficient legal basis to sustain its Fraud Claim against Registrant in its §§8/15 filing, and therefore this claim is legally sufficient without amendment.

iii. Petitioner’s Abandonment by Uncontrolled Licensing is Legally Adequate

First, in its moving papers, Registrant admits that ZOBA does “identify three grounds for the claim that Registrant has abandoned the mark”. Here, Registrant admits that Petitioner has pled with specificity the grounds for cancellation.

Secondly, Registrant argues that Petitioner’s allegations are deficient because they are stated “upon information and belief”. This despite the fact that USPTO Rule 11.18 explicitly states that merely by signing the trademark document the signatory is certifying

¹⁶ Id at 1443. Emphasis added.

that “all statements made therein on information and belief are believed to be true”.

Registrant appears to be attacking Petitioner counsel’s certification that “the allegations and other factual contentions have evidentiary support ..(See USPTO Rule 11.18(iii)).

Attacking the certification in a 12b(6) motion should not be allowed since the allegations of the Complaint [Petition] must be taken as true. For purpose of Rule 12(b)(6), the complaint must be construed in the light most favorable to the nonmoving party and its allegations taken as true. *Scheuer v. Rhodes*, 416 U.S. 232, 236 (1974). If the Registrant believes they have sufficient grounds to support a motion to strike under USPTO 11.18(c)(1) they must bring a separate motion after the required notice (See USPTO 11.18 (c)).

The sole argument raised is that it [the Petition] provides no facts regarding Registrant’s licensing practices]. This is patently false. Throughout the Petition, and in this section specifically, Petitioner alleges the following facts regarding Registrant’s licensing practices:

“does not.....exercise requisite control”; shareholders are permitted to use Registrant’s Mark without becoming licensees”¹⁷ “does not exercise any routine testing and examination of ‘licensees’ good to insure compliance”; “permits unlicensed use....for extensive periods of time”.

In a United States Supreme Court case heavily relied upon by Registrant, the high Court stated: once a claim has been stated adequately, it may be supported by showing any set of facts consistent with the allegations in the complaint.¹⁸

¹⁷ These are published requirements and in conformance with Registrant’s own argument are capable of being judicially noticed even at this early juncture.

¹⁸See *Sanjuan*, 40 F.3d at 251 (once a claim for relief has been stated, a plaintiff

In the present case, Petitioner has pled valid grounds for Abandonment-Uncontrolled Licensing and a sufficient factual basis to support such grounds.

iv. Petitioner’s Abandonment for Failure to Police Claim has a basis in fact and has legal merit.

The Petition alleges that Registrant has abandoned its mark by “failing to police” its mark by allowing unlicensed use of the subject Mark or uses of the subject Mark that is not compliant with its “licensing” “specifications” for an overlong period of time.

Registrant argues that “Petitioner cannot have it both ways,” their point apparently being that since Petitioner claims it was harmed due to Registrant’s enforcement efforts (including the Trademark Action), Petitioner cannot also claim that Registrant has abandoned its mark. cursory review of the Petition reveals that Petitioner claims that Registrant permits unlicensed use of the subject Mark for extensive periods of time with indifference. Petitioner further claims that Registrant permits uses that are not compliant with Registrant’s DVD specifications for extensive periods of time with indifference.

Registrant’s argument fails a logic test on two points: (1) just because Registrant sought to enforce rights in the subject Mark against Petitioner doesn’t mean that Registrant has no duty to enforce its rights against third party infringers; and (2) while Registrant sought to enforce rights in the subject Mark against Petitioner in the

"receives the benefit of imagination, so long as the hypotheses are consistent with the complaint"); [Citations omitted] *Bell Ad. Corp. V. Twombly*, 550 U.S. 544, (2007)

Trademark Action, the conclusion does not follow that Registrant (until the Trademark Action) failed to enforce its rights in the Mark for prohibitively extensive periods of time with indifference. Petitioner's Claim in the Petition, as drafted, raises both factual issues.

Furthermore, Registrant argues that Petitioner has "failed to allege that the registered trademark has lost significance as an indication of a connection to [between] Registrant and standard DVDs." On the contrary, Petitioner has clearly alleged in its Petition that Registrant, even through its maintenance of the Registration of the subject Mark, has evinced that there is no connection between Registrant's goods and the subject Mark, because Registrant does not use the subject Mark in connection with goods that it produces (since Registrant doesn't produce any goods at all, by its own admission).

Registrant makes the attempted factual admission regarding its alleged recording of the subject Mark with U.S. Customs and Border Protection. As has been previously stated hereinabove, a request for judicial notice has no effect under the circumstances. Furthermore, such evidentiary submission is only appropriate for discovery, and not in the context of a challenge to the legal sufficiency of Petitioner's Petition.

If called to do so, and given leave by the Board (as is appropriate), Petitioner is prepared to amend its pleading to allege, upon information and belief, that Registrant's inaction (i.e. "failure to police") constitutes an unreasonable delay¹⁹ in protecting its rights that has caused Registrant's mark to lose its significance as a mark." *15 USC §1127*²⁰

¹⁹ *Wallpaper Manufacturers, Ltd. v. Crown Wallcovering Corp.*; 680 F.2d 755, 766 n; 214 USPQ 327, 335 n (CCPA 1982)

²⁰ "When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which its is used or otherwise to lose its significance as a mark.

**v. Petitioner's Abandonment for Nonuse/Misuse Properly States
a Claim under the Lanham Act.**

To clarify Petitioner's allegation in the Petition, Petitioner has alleged that Registrant has abandoned the subject Mark by not using the subject Mark as a trademark, or by misusing the subject trademarked Mark. Petitioner's ground for this claim is that Registrant is using the subject Mark as a Certification Mark, rather than as a Trademark (which is how Registrant chose to register the subject Mark). Petitioner has not alleged that there is a statutory scheme mandating that use of a trademark as a certification mark be cancelled, but rather that this Registrant has misused or nonused its registered mark in a way that constitutes abandonment of the subject Mark. Petitioner's statutory basis for this ground for cancellation is Abandonment under 35 U.S.C. §1127.

Summarizing Registrant's arguments in its Motion, Registrant asserts the following grounds for dismissing this Claim: (1) that Petitioner is barred from a claim for abandonment for nonuse/misuse because the subject Mark is incontestable; (2) that while the statute provides for cancellation of a certification mark which is being misused as a trademark, it does not provide for cancellation of a trademark which is being misused as a certification mark; and (3) that if the USPTO were to find that Registrant's "use" of the subject Mark constituted prohibited misuse of a trademark as a certification mark, it would call "into question the PTO's prior practice, challenging these well-known, well-established trademarks as well."

Purchaser motivation shall not be a test for determining abandonment under this paragraph.

Regarding asserted ground (3), Petitioner replies that such argument, again, improperly requires that the Board make factual findings (regarding those “well-known, well-established trademarks”) at a preliminary Motion stage of this Petition. Even if compelling, such factual considerations is improper in advance of the full conduct of discovery. Furthermore, a claim of abandonment can be asserted (1) as a ground for opposition, and (2) as a ground for cancellation “at any time,” in other words either before or after the challenged registration is over five years old.²¹

Registrant’s asserted ground (1) fails because Petitioner has, elsewhere in its Petition, alleged that Registrant fraudulently obtained incontestability in the subject Mark. Petitioner’s claim for abandonment for nonuse/misuse would have been improperly dismissed should the Board ultimately (in its findings on conclusion of the instant Cancellation Proceeding) find that Registrant improperly obtained incontestability for the subject Mark.

Finally, regarding Registrant’s ground (2), Petitioner replies with two points: (a) logically speaking, if it is statutorily prohibited to use a certification mark as a trademark, then the converse must be true, because to find otherwise would completely eliminate the purpose for the USPTO’s certification mark registration scheme. The pertinent distinction between a certification mark and a trademark under the current facts is whether the mark is being used to denote an origin of the owner’s goods, or whether the mark is being used to denote third party product compliance with an owner’s certification standard. If, as agreed to by Registrant, it is impermissible for a certification mark to denote the origin of owner’s goods, how can it be permissible for a trademark to not

²¹ 15 U.S.C. §1064(3)

denote the original of owner's goods (by denoting third party compliance with an owner's certification standard). Without commencing a fact-based argument, Petitioner does suggest that Registrant's "licensing" standards and procedures are actually product certification standards and not standards intended to avoid dilution of Registrant's mark through misuse by licensees.

To establish misuse of certification mark under the Lanham Act the petitioner needs to plead only one of the following allegations, namely that the registrant (1) does not control, or is not able legitimately to exercise control over the use of the mark; (2) engages in the production or marketing of any goods or services to which the certification mark is applied, or (3) permits the use of the certification mark for purposes other than to certify, or (4) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which the mark certifies. It follows that if these allegations are true, then the mark must be being properly used as a Certification Mark, which necessarily prevents it from being properly used as a Trademark.

Petitioner respectfully asserts that it has adequately plead the instant ground for cancellation for abandonment, however, if called to do so, and given leave by the Board (as is appropriate), Petitioner is prepared to amend its pleading to allege, upon information and belief, that Registrant's inaction (i.e. "failure to police") constitutes an unreasonable delay²² in protecting its rights that has caused Registrant's mark to lose its significance as a mark." *15 USC §1127*²³

²² *Wallpaper Manufacturers, Ltd. v. Crown Wallcovering Corp.*; 680 F.2d 755, 766 n; 214 USPQ 327, 335 n (CCPA 1982)

²³ "When any course of conduct of the owner, including acts of omission as well

b. Petitioner should be granted leave to amend any claims deemed to currently be legally insufficient.

If the [Board] grants a motion to dismiss a complaint, it must then decide whether to grant leave to amend. The court should "freely give" leave to amend when there is no "undue delay, bad faith[,] dilatory motive on the part of the movant . . . undue prejudice to the opposing party by virtue of . . . the amendment, [or] futility of the amendment"²⁴

Generally leave to amend is only denied when it is clear that the deficiencies of the complaint cannot be cured by amendment. See DeSoto v. Yellow Freight Sys., Inc., 957 F.2d 655, 658 (9th Cir. 1992).

Similarly, the *World Market* case was a trademark infringement case where the Plaintiff's motion to dismiss three counterclaims of Defendant for cancellation of registration based upon lack of standing were granted. World Market Center Venture LLC v Texas International Property Associates supra at 95752. In *World Market* the Court granted leave to amend to enable remove trademark references since they were not damaged by them.

In the present case Registrant does not even challenge Petitioner's jurisdictional

as commission, causes the mark to become the generic name for the goods or services on or in connection with which its is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

²⁴ Fed. R. Civ. P. 15(a), World Market Center Venture LLC v Texas International Property Associates 2009 U.S. Dist. LEXIS 95752 quoting the United States Supreme Court in *Foman v. Davis*, 371 U.S. 178, 182, 83 S. Ct. 227, (1962).

