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

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| Proceeding | 92051821 |
| Party | Defendant<br>DVD Format/Logo Licensing Corporation |
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| Attachments | Registrant's Reply in Support of its Motion to Dismiss the Petitions.pdf ( 10 pages )(12970762 bytes )<br>Certificate of Service.pdf ( 1 page )(743074 bytes ) |

**In the United States Patent and Trademark Office**
**Before the Trademark Trial and Appeal Board**

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| ZOBA INTERNATIONAL CORP., DBA CD DIGITAL CARD,<br>Petitioner,<br>v.<br>DVD FORMAT/LOGO LICENSING CORPORATION,<br>Registrant. | Cancellation No. 92051714<br>Cancellation No. 92051821<br>Cancellation No. 92051790 |

**REGISTRANT'S REPLY IN SUPPORT OF ITS MOTIONS TO DISMISS THE PETITIONS**

Petitioner's opposition briefs[1] fail entirely to refute the arguments Registrant has advanced in support of its motion to dismiss. With respect to Registrant's *res judicata* argument, Petitioner concedes that it filed cancellation counterclaims against Registrant in district court, and that those counterclaims were dismissed with prejudice. Petitioner's opposition rests on the point that "[t]he Cancellation Claims and the Counterclaims are different." (Pet. Br. at 3).

As case after case makes clear, however, *res judicata* bars the relitigation of claims based on the same set of "transactional facts." The record establishes that the claims here seek the same relief, and are based on the same essential grounds, as the counterclaims that were dismissed with prejudice. Plaintiff's efforts to distinguish claims based on pleading style or technical differences do not overcome the *res judicata* bar.

Petitioner's defendant-preclusion argument relies on an inapplicable legal doctrine. The doctrine applies where a former plaintiff seeks to apply *res judicata* against a former defendant that did *not* raise a counterclaim. Here, Petitioner did raise counterclaims, and

[1] Despite the order consolidating these three cancellation proceedings, Petitioner has filed three separate briefs. The briefs are, however, virtually identical. Citations to Petitioner's Brief ("Pet. Br.") are to the brief filed in Cancellation No. 92051714, but apply to all three opposition briefs, except as noted.

they were dismissed. That plaintiff's district court counterclaims may not have been compulsory – an issue to which Petitioner devotes substantial attention – merely confirms the *res judicata* point: having voluntarily filed the claims and agreed to their dismissal with prejudice, the *res judicata* bar should be even higher.

Petitioner's arguments as to the merits of its claims fare no better. Petitioner relies on pleading standards that predate *Ashcroft v. Iqbal*, 129 S.Ct. 1937 (2009), and *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007). These cases require a plaintiff to plead facts that establish a viable and plausible claim. *Iqbal*, 129 S.Ct. at 1949; *Twombly*, 550 U.S. at 570. Petitioner offers vague legal conclusions or allegations that track statutory language, but no facts. Thus, even if Petitioner's claims were not barred by *res judicata*, they should be dismissed because Petitioner has failed to state – or even allude to – a viable, plausible claim.

## I. *RES JUDICATA* BARS THE INSTANT PETITIONS

Petitioner does not contest that it filed cancellation counterclaims against Registrant and that a final judgment was previously entered dismissing those counterclaims with prejudice. The first two elements of a *res judicata* defense – identity of parties and the entry of a previous final judgment on the merits – are satisfied. *See Jet, Inc. v. Sewage Aeration Systems,* 223 F.3d 1360, 1362 (Fed. Cir. 2000).

As to the third element – that the claims be based on the same "transactional facts" – Petitioner cites cosmetic differences between the counterclaims and its present claims. Petitioner also argues that its present claims are not barred because its previous counterclaims were not compulsory. (Pet. Br. at 3-11). Both arguments are meritless.

### A. Petitioner's Claims and Counterclaims Are Drawn from the Same Transactional Facts

Petitioner asserts that its current claims and the district court counterclaims "do not match," and the former are therefore not subject to *res judicata*. (Pet. Br. at 3). In support, Petitioner provides a chart that compares the titles of the counterclaims in the federal court case

with the titles of the claims in the instant petitions. (Pet. Br. at 3-4). Petitioner then asserts that "only a single counterclaim is under the same statutory authority as a Petition Claim." (Pet. Br. at 4). Without any citation to authority, Petitioner contends that *res judicata* does not apply in these circumstances.

*Res judicata* does not depend on pleading technicalities. The test is not whether the claims in the previous proceedings are identical to those in the current proceeding, but whether the second claim is "based on the same set of transactional facts as the first." *Jet, Inc.*, 223 F.3d at 1362. Thus, courts have repeatedly rejected the argument offered by Petitioner here – that the legal nomenclature employed to identify the arguments should take precedence over the nature of the relief sought, the evidence to be marshaled, and the pragmatic connection between the counterclaims in the federal court action and the claims in the instant petition. *See, e.g., Young Engineers, Inc. v. U.S. Int'l Trade Comm*, 721 F.2d 1305, 1314 (Fed. Cir. 1983); *Alyeska Pipeline Service Co. v. United States*, 688 F.2d 765, 769 (Ct. Cl. 1982) ("claim splitting cannot be justified on the ground that the two actions are based on different legal theories").

As Registrant has pointed out, the substance of the federal court counterclaims and the instant claims confirms that they arose from the same transactional facts. The counterclaims sought the same relief as the instant claims (cancellation) and they stem from the same purported grievances. For example, Petitioner pled in its Third Counterclaim that it was entitled to cancellation because the registered trademark at issue had become, *inter alia*, generic and had lost its significance as an identifier of the product's origin. (Mot. to Dismiss Cancellation No. 92051821, Ex. 1 at ¶¶ 106-109). This is precisely the allegation on which Petitioner bases one of the instant claims for cancellation. Similarly, the Fourth Counterclaim sought cancellation because the "specimens or facsimiles" of use were products of other entities (Mot. to Dismiss Cancellation No. 92051821, Ex. 1 at ¶¶ 111-112) – again, precisely the purported basis of Petitioner's "fraud" claims here. Indeed, all of the current claims are merely reincarnated versions of the dismissed counterclaims, as they each arise out Petitioner's efforts to

cancel the trademarks on the same limited set of grounds – fraud, abandonment, and mis-use. As such, they arise from the same set of transactional facts as the counterclaims.

Even if the current claims are somehow better developed or more artfully pled than the federal court counterclaims, as Petitioner urges, (Pet. Br. at 4-5), that makes no difference. *Res judicata* principles "'extinguish all rights of the plaintiff against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose'." *Young Engineers, Inc.,* 721 F.2d at 1314, *quoting Restatement (Second) of Judgments* § 24(1). The rule is that "a party must raise in a single lawsuit all of the grounds for recovery arising from a single transaction or series of transactions that can be brought together." *Mars, Inc. v. Nippon Conlux K.K.*, 58 F.3d 616, 619 (Fed. Cir. 1995).

Petitioner has already had one full bite at the cancellation apple, and chose to compromise its claims in exchange for valuable consideration – the dismissal of Registrant's trademark infringement claims against Petitioner in federal court. Even if the claims here are different in certain respects, Petitioner is barred from splitting its claim to get that second bite.

**B. The Defendant-Preclusion Test Does Not Save Petitioner's Claims**

Petitioner asks the Board to reject the *res judicata* test applied by the Federal Circuit in *Jet, Inc v. Sewage Aeration Systems, supra.*[2] (Pet. Br. at 7). In its place, Petitioner asks the Board apply the "defendant-preclusion" test for *res judicata.* (Pet. Br. at 7-11). This test bars a claim when "(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

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[2] Petitioner first asks the Board to adopt and then to reject the *res judicata* test in *Jet, Inc. Compare* Pet. Br. at 6 ("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") *with* Pet. Br. at 7 ("the test used in Jet, Inc. and articulated by Registrant, cannot be used as the exclusive test for same claim preclusion against a defendant in a first action"). Registrant submits that the test in *Jet, Inc.* is controlling in this case.

represents what is essentially a collateral attack on the first judgment." *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1324 (Fed. Cir. 2008) (emphasis added).

The first prong of *Nasalok* is irrelevant here. That question concerns the effect of a counterclaim that a defendant was required to file in the first action, but did not. Whether Petitioner was or was not required to file its counterclaims in district court is beside the point –it chose to do so. Far from freeing Petitioner from relitigating those claims, the preclusion bar should be *higher*. Petitioner chose to dive into the district court fray, and it agreed to the dismissal of its counterclaims. Nothing in *Nasalok* permits Petitioner to relitigate those claims now.

As to the second *Nasalok* prong, Petitioner argues that the current claims are not a collateral attack on the first judgment. (Pet. Br. at 10-11). As Petitioner points out, in *Nasalok*, the district court entered a default judgment and granted an injunction. (Pet. Br. at 9-10). In the federal district court case at issue here, the court dismissed Petitioner's counterclaims with prejudice pursuant to a settlement agreement. Petitioner does not explain how this is any less of a collateral attack than it was in *Nasalok*. It is not. *See Young Engineers, Inc.*, 721 F.2d at 1314 (*res judicata* applies when a "judgment results by default, consent, or dismissal with prejudice").

In any event, there is no indication in *Nasalok* that the court of appeals intended to disavow *Jet, Inc*. As all three elements of the *Jet, Inc.* test have been met here – identical parties, a judgment dismissing prior claims with prejudice, and the same transactional facts – *res judicata* bars relitigation of the cancellation claims.[3]

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[3] *Nasalok* answers Petitioner's appeal to public policy. (Pet. Br. at 11). The court in *Nasalok* precluded the cancellation claims notwithstanding the public policy considerations. *Res judicata*, and the rules regarding finality of judgments generally, are based on public policy considerations as well.

### C. Petitioner's Claims for Cancellation of Registration No. 2,711,602 Arise Out of the Same Transactional Facts as its Other Cancellation Claims

Finally, Petitioner argues that, even if its cancellation claims as against Registration Nos. 2,295,726 and 2,381,677 are barred, its claims for cancellation of No. 2,711,602 should go forward because it did not file a counterclaim against that registration. (Cancellation No. 92051821 Pet. Br. at 3-4). Petitioner does not even address, much less refute, the authority Registrant cited holding that claims to cancel different registrations arise out of the same transactional facts if the registrations protect the same mark. *See* 6 McCarthy on Trademarks and Unfair Competition § 32:82 ("[t]he test used . . . is whether the previous mark and the present mark are so much alike that they create a continuing commercial impression . . . [t]his generally requires that the marks be almost identical"); *Institut National des Appellations d'Origine v. Brown-Forman Corp.*, 47 U.S.P.Q.2d 1875, 1894-1895 (T.T.A.B. 1998) (the Board "focus[es] on whether the defendant's mark involved in the earlier proceeding was the same mark as the defendant's mark involved in the later proceeding").

Petitioner concedes that the three registrations protect the identical DVD trademark. (*See, e.g.,* Cancellation No. 92051821 Petition, § 15). Having voluntarily filed counterclaims to cancel Registrant's DVD logo trademarks, Petitioner could have filed a comprehensive counterclaim addressing this registration as well. (*Cf.* Cancellation No. 92051821 Petition, § 3). It chose not to. Its claims against No. 2,711,602 arise from the same transactional facts as its counterclaims against the other registrations and are barred.

## II. PETITIONER'S CLAIMS ARE LEGALLY INSUFFICIENT

To sustain its cancellation claims, Petitioner relies on outmoded pleading standards that have been rejected (or at least clarified) in *Iqbal* and *Twombly*. Even on its own terms, however, the pleading fails.

### A. The Fraud Claims are Legally Insufficient

Petitioner cites two cases in which courts have sustained fraud allegations under the specific circumstances there presented. *See Robi v. Five Platters, Inc.*, 918 F.2d 1439 (9th Cir. 1990); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46 (Fed. Cir. 1986). (Pet. Br. at 14-15). These cases stand for the proposition that, with the proper facts, a plaintiff can assert claims of fraud in the filing of declarations of use and incontestability affidavits. The problem here is that Petitioner has not pled such facts.

Petitioner "must state with particularity the circumstances constituting fraud," F.R.C.P. 9(b), and must identify the specific false statement that it alleges was made in the statements of use or the incontestability affidavits. *See King Auto, Inc. v. Speedy Muffler King, Inc.*, 67 F.2d 1008, 1010 (C.C.P.A. 1981). While Petitioner argues that the specimens submitted by Registrant were manufactured by other entities, (Pet. Br. at 15), that was apparent from the face of the submissions, and Registrant never stated otherwise. (*See, e.g.*, Mot. to Dismiss Cancellation No. 92051821, Ex. 3). There is simply no allegation here that Registrant misrepresented a material fact.

Petitioner also continues to ignore the fact that there can be no fraud without "a deliberate attempt to mislead the Patent Office into registering the mark." *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 670 (7th Cir. 1982). Petitioner did not plead intent and offers no excuse. Without this critical element, dismissal is the only option. *See, e.g., Asian and Western Classics B.V. v. Lynne Selkow,* 92 U.S.P.Q.2d 1478 (T.T.A.B. 2009).

### B. The Abandonment Claims are Legally Insufficient

Petitioner attempts to defend its abandonment claims by placing the burden on Registrant to prove, at this stage of the proceedings, that Petitioner's allegations are implausible as a matter of law. (Pet. Br. at 16-19, *citing Scheuer v. Rhodes*, 416 U.S. 232 (1974)). Even that antiquated standard did not excuse a failure to plead facts sufficient to support a claim.

Here, the "facts" and "logic tests" that Petitioner cites in its briefs are nothing more than sweeping legal conclusions that track the statutory language. For example, Petitioner asserts that Registrant has failed to police its works, but offers no factual allegations in support; then, in its opposition, Petitioner dismisses or ignores the substantial public evidence that Registrant cited in its motion showing that Registrant does police the marks. (Pet. Br. at 17-18). Likewise, in support of its uncontrolled licensing claim, Petitioner merely repeats sweeping and conclusory allegations, *e.g.*, that Registrant "does not exercise routine testing" and "permits unlicensed use . . . for extensive periods of time." (Pet. Br. at 16-17). Petitioner does not address, much less explain, its own acknowledgment of Registrant's licensee verification program, nor does it point to any facts regarding extensive or pervasive unlicensed use of the mark (beyond the implausible assertion that Registrant's shareholders are not licensees). Because the petitions lack *facts* to support the abandonment claims, those claims should be dismissed.

### C. The Certification Mark Claims are Legally Insufficient

Petitioner tries to save its certification mark claims by upending the statute providing for the cancellation of certification marks that are being misused as trademarks. *See* 15 U.S.C. §§ 1054; 1064 (3), (5). Without citing authority, Petitioner argues that "logically speaking, if it is statutorily prohibited to use a certification mark as a trademark, then the converse must be true." (Pet. Br. at 21). Petitioner then contends that this newly minted ground for cancellation should be recognized as a strain of abandonment. (Pet. Br. at 19-22). Putting aside the fact that this argument is inconsistent with the textual definition of abandonment, *see* 15 U.S.C. § 1127, permitting the abandonment statute to serve as a functional catch-all provision would distort a statute that authorizes the cancellation of only one type of mark. *Cf. In re Bose Corp.,* 580 F.3d 1240, 1243 (Fed. Cir. 2009), *quoting Bart Schwartz Int'l Textiles, Ltd. v. Fed. Trade Comm'n,* F.2d 665, 669 (C.C.P.A. 1961), ("'[a]ny 'duty' owed by an applicant for trademark registration must arise out of the statutory requirements of the Lanham Act'"). The Board should not amend the statute by administrative decision.

In any event, Petitioner does not respond to Registrant's arguments that these marks are properly registered as trademarks. Instead, Petitioner merely restates the statutory definition of a certification mark, and makes conclusory allegations that the marks at issue are actually certification marks. (Pet. Br. at 21-22). Once again, Petitioner pled no facts. These "misuse" claims should be dismissed.

## III. PETITIONER SHOULD NOT BE GRANTED LEAVE TO AMEND

Petitioner asks that it be granted leave to amend its petitions. (Pet. Br. at 22-23). Registrant respectfully urges the Board to deny this invitation.

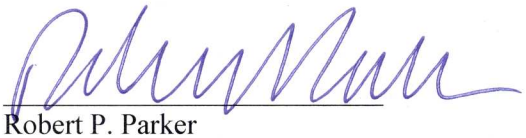
It is well settled that leave to amend should not be granted when an amendment would be futile. *See Foman v. Davis*, 371 U.S. 178, 182 (1962); *see generally* F.R.C.P. 15(a). Contrary to Petitioner's assertion that Registrant has only raised "technical non-jurisdictional allegations" that can be cured, (Pet. Br. at 23), a party cannot re-plead to avoid claim preclusion. *See Winget v. JP Morgan Chase Bank, N.A.*, 537 F.3d 565, 573 (6th Cir. 2008) ("[f]utility is certainly the case here[, where the] claims were dismissed because they were . . . barred by *res judicata*"); *Saladino v. United States*, 62 Fed. Cl. 782, 795 (Fed. Cl. 2004) ("[b]ecause plaintiffs' claims are barred by *res judicata* . . . any further amendment would be futile and would not serve the interests of justice; indeed, the interests of justice would be disserved by allowing this travesty to continue").

Moreover, the party seeking leave to amend must come forward with a proffer identifying the substance of the proposed amendment and how it will cure the deficiencies in the original pleading. *See Begala v. PNC Bank, Ohio, N.A.*, 214 F.3d 776, 784 (6th Cir. 2000); *Confederate Memorial Ass'n, Inc. v. Hines*, 995 F.2d 295, 299 (D.C. Cir. 1993). Petitioner does not even attempt to meet this obligation, and is "not entitled to an advisory opinion from the [Board] informing [it] of the deficiencies of the [petitions] and then an opportunity to cure those deficiencies." *Begala*, 214 F.3d at 784.

## IV. CONCLUSION

Accordingly, for the reasons articulated herein and in Registrant's motions to dismiss, this Board should now dismiss these petitions with prejudice.

Respectfully submitted,



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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that the accompanying REPLY BRIEF IN SUPPORT OF THE MOTIONS TO DISMISS was served upon counsel for Petitioner by email at the following email address this 8th day of March, 2010.

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