ESTTA Tracking number: **ESTTA404833**
Filing date: **04/20/2011**

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

Proceeding	92053454
Party	Defendant Facebook, Inc.
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Attachments	Everclear Reply Brief.pdf (7 pages)(91134 bytes)

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

In the matter of Registration No. 3,041,791 for the Trademark FACEBOOK; Registration No. 3,801,147 for the trademark FACEBOOK; Registration No. 3,814,888 for the trademark FACEBOOK; and Registration No. 3,881,770 for the trademark FACEBOOK

EVERCLEAR COMMUNICATIONS INC.	)	
	)	
Petitioner,	)	
	)	Cancellation No. 92053454
v.	)	
	)	
FACEBOOK, INC.,	)	
	)	
Registrant.	)	
	)	

REGISTRANT FACEBOOK, INC.'S REPLY IN SUPPORT OF MOTION TO DISMISS EVERCLEAR COMMUNICATIONS INC.'S PETITION FOR CANCELLATION FOR FAILURE TO STATE A CLAIM UNDER RULE 12(b)(6)

Everclear's Opposition to Facebook's Motion to Dismiss relies on a fraud pleading standard that has been expressly overruled by the Federal Circuit. Contrary to Everclear's argument, a claim of fraud in obtaining a registration requires an allegation that the registrant made a false statement to the PTO with the intent to deceive the office, and not simply that the mark holder "knew or should have known" that its statement was false. *In re Bose Corp.*, 580 F.3d 1240, 1244 (Fed. Cir. 2009). Everclear's opposition further fails to address the numerous pleading shortcomings raised by Facebook's motion, including Everclear's reliance on allegedly false statements that the PTO has already deemed to be immaterial, and Everclear's failure to allege that Facebook made representations in its statements of use that were not true *at the time of the filing of the statements of use*. While Facebook disputes the allegations in Everclear's petition, even if true they amount to little more than allegations of errors in prosecution. They do not rise to the level of fraud, and therefore should be dismissed.

Everclear's brief also includes an admission that the facts alleged in Count I of the

Petition for Cancellation were available to Everclear at the time it filed its Answer in the earlier Opposition proceeding. The opposition brief confirms that Everclear first learned of its alleged claims from Facebook's Notice of Opposition and the prosecution file history for the '791 Registration, and not from discovery provided by Facebook. Count I should therefore be dismissed under the compulsory counterclaim rule.

I. EVERCLEAR'S PETITION FAILS TO ALLEGE FRAUD

Everclear's opposition brief misrepresents the minimum standards of pleading necessary to allege a claim for fraud on the PTO. On page 11 of the opposition brief, Everclear asserts that "the test [for fraud] is whether applicant '**knew or should have known**' that the challenged statements in the application were false." Opposition Brief at 11 (emphasis added). Everclear is mistaken. The "knew or should have known" standard for pleading intent in fraud cases was overruled by the Federal Circuit in the *In Re Bose* decision. *Bose*, 580 F.3d at 1244. In *Bose*, the Federal Circuit held that the application of a "knew or should have known" standard was improper because doing so converts the intent requirement of fraud claims to a mere negligence standard. *Id.* ("By equating 'should have known' of the falsity with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard."). Since *Bose*, the Board has repeatedly held that allegations that an applicant "knew or should have known" its statements were false are insufficient to allege fraud and subject to dismissal. *See Zoba Int'l Corp. v. DVD Format/Logo Licensing Corp.*, 2011 WL 1060727, at *3 (Cancellation No. 92051821, Mar. 10, 2011); *Qualcomm Inc. v. FLO Corp.*, 93 U.S.P.Q.2d 1768, 1770 (T.T.A.B. 2010); *Asian & W. Classics B.V. v. Selkow*, 92 U.S.P.Q.2d 1478, 1479 (T.T.A.B. 2009).

Everclear's misunderstanding of this intent requirement is an error that permeates both the opposition brief and the Petition for Cancellation. But this is not Everclear's only error of law. On page 20 of its brief, Everclear repeats an error from its Petition when it argues that

Facebook's statement of use was fraudulent because the mark was not in use with all of the claimed goods or services *as of the claimed first use date*: "the mark was not used at all on some of the claimed goods and services identified in Registration No. 3,801,147 before the end of February 2004." Opposition Brief at 20. As Facebook noted in the opening brief, the only inquiries relevant are (1) whether Facebook's first use date is accurate as to some of the services in each class, and (2) whether Facebook was using the mark in connection with all claimed services *at the time Facebook filed the declaration of use*. See Opening Brief at 8-9. An allegation that Facebook did not use its mark with all goods or services as of the claimed date of first use is irrelevant to a fraud claim. *Standard Knitting Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917, 1926 (T.T.A.B. 2006); *Hecon Corp. v. Magnetic Video Corp.*, 199 U.S.P.Q. 502, 504 n.3 (T.T.A.B. 1978).

Finally, Everclear's opposition brief correctly states that a misrepresentation must be "material" to support a fraud claim, meaning that the misrepresentations must be of such a nature that, but for the misrepresentation, the registration would not have issued. Opposition Brief at 13. However, it ignores the fact that the alleged misrepresentations in Everclear's Petition, if true, could not have been material to the Examiner's decision to issue the registrations. As discussed in Section III.B.1. of the opening brief, the PTO has already determined that there is no material difference between Facebook's initial use of THEFACEBOOK and its current use of FACEBOOK. And Everclear has not alleged that the Examiner would have refused Facebook's registrations had Facebook designated that its initial use date applied only to some, but not all of the services claimed in Facebook's statement of use. Nor could Everclear allege materiality, because such a designation would not require the Examiner to reject Facebook's application.

Everclear's allegations amount to little more than allegations that Facebook committed errors in prosecution. Even if true, which they are not, they do not rise to the level of materiality necessary to support a claim of fraud, and Facebook's motion should be granted.

II. COUNT I IS A COMPULSORY COUNTERCLAIM AND SHOULD BE DISMISSED

Everclear defends its failure to comply with the compulsory counterclaim rule by arguing that the facts alleged in its Petition did not "fully come to light" until Facebook produced documents in November of 2010. Opposition Brief at 9. This position is directly contradicted by Everclear's own admission in the same brief that it learned of its alleged grounds for fraud long before Facebook produced its documents in November, 2010:

> **In about September of 2010**, evidence came to the attention of Everclear suggesting that statements made by or on behalf of Facebook to the USPTO in connection with its efforts to register the FACEBOOK mark were untrue. **On September 30, 2010**, counsel for Everclear sent to counsel for Facebook a letter describing certain facts uncovered which were inconsistent with Facebook's USPTO filings and again requesting Mr. Zuckerberg, among others, be made available for deposition purposes. (Everclear Ex. 10).

Opposition Brief at 5 (emphasis added). Everclear's September 30 letter, submitted as Exhibit 10 to the declaration of Everclear's counsel, makes clear that the "evidence" upon which Everclear based its cancellation claims was not newly discovered evidence, but information contained in Facebook's Notice of Opposition or the prosecution history file for the registration Everclear now seeks to cancel:

> For example, **in Paragraph 2 of its Amended Notice of Opposition**, Facebook alleges' [sic] 'Facebook's services were first offered in 2004 as a networking site at Harvard University." In **Paragraph 7 of the Amended Notice of Opposition**, Facebook identified Registration 3,041,791 for the mark FACEBOOK stating it "was filed on February 24, 2005" and "claims a first use date of

> at least as early as February 4, 2004." My client in its answer denied the allegations of Paragraph 2 of the Amended Notice of Opposition and also denied that the registration cited in Paragraph 7 of the Amended Notice of Opposition is valid and subsisting. **A review of the prosecution file related to that registration shows some of the reasons why**. The original application claimed a first use in commerce on February 4, 2004 of a different mark, namely THEFACEBOOK. No claim was made to the mark FACEBOOK in that prosecution file until July 11, 2006.

Opposition Brief, Ex. 10 (emphasis added).

Despite these admissions, Everclear provides no explanation as to why it failed to bring its fraud claim in its earlier Answer. Count I should therefore be dismissed under the compulsory counterclaim rule.

Everclear's request to strike Facebook's motion as a premature summary judgment motion is similarly meritless. The exhibits submitted with Facebook's motion relate only to Facebook's argument that Everclear is precluded from asserting Count I of the complaint under the compulsory counterclaim rule, and not to Facebook's argument that Everclear has failed to allege fraud. These Exhibits are (1) Facebook's request to the PTO to amend its registration from THEFACEBOOK to FACEBOOK, which is expressly referenced in Paragraph 8 of Everclear's Petition for Cancellation (Exhibit E); (2) a copy of the registration certificate for the registration at issue in Count I (Exhibit F); (3) Facebook's Notice of Opposition and Everclear's Answer in the earlier opposition proceeding; (Exhibits A and B); and (4) correspondence between counsel for the parties demonstrating that Everclear contemplated bringing its counterclaim in the earlier opposition proceeding but elected not to do so (Exhibits C and D). The first three categories of evidence may be considered as judicially noticeable facts because they are part of the trademark office's files. *See* 37 C.F.R. § 2.122(b)(1); *Biomedical Patent Mgmt. Corp. v. Cal., Dep't of Health Servs.*, 505 F.3d 1328, 1331 n.1 (Fed. Cir. 2007) (in deciding Rule 12(b)(6) motion to dismiss, District Court properly took judicial notice of court

filings from prior litigation between the same parties.). And Exhibits C and D need not be relied upon by the Board in determining the outcome of the motion because Everclear, in its opposition brief, admits that it contemplated bringing these claims as part of the earlier proceeding.

III. CONCLUSION

For the foregoing reasons, and those set forth in Facebook's Opening Brief, Facebook respectfully requests that the Board dismiss Everclear's Petition for Cancellation in its entirety.

Dated: April 20, 2011

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Attorneys for Opposer

CERTIFICATE OF SERVICE

I hereby certify that on April 20, 2011, a true and correct copy of the foregoing **REGISTRANT FACEBOOK, INC.'S REPLY IN SUPPORT OF MOTION TO DISMISS EVERCLEAR COMMUNICATIONS INC.'S PETITION FOR CANCELLATION FOR FAILURE TO STATE A CLAIM UNDER RULE 12(b)(6)** was placed in the United States Mail, postage prepaid, addressed to counsel for Petitioner as follows:

James T. Nikolai
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Date: April 20, 2011

Jeffrey T. Norberg