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

Proceeding	92060308
Party	Plaintiff SFM, LLC
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

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In the Matter of Registration No. 3,708,053; Mark: SPROUT;  
Date of Registration: November 10, 2009

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SFM, LLC

Petitioner,

v.

Cancellation No: 92060308

CORCAMORE, LLC.

Respondent.

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**PETITIONER’S RESPONSE TO RESPONDENT’S REQUEST FOR  
RECONSIDERATION**

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Respondent’s request for reconsideration of the Board’s denial of its motion to dismiss is meritless, wasteful of resources, and should be denied. SFM has standing to bring this cancellation under any current standard, and *Belmora* does not impact this irrefutable fact. Indeed, *Belmora* found lack of standing because the petitioner **did not have, nor did it rely on, a U.S. trademark registration**, but rather a Mexican one. Nor can Respondent’s assertions regarding “controlled licensees” impact SFM’s standing. As Respondent is well aware, SFM and its related entities own and operate grocery stores which specialize in selling natural and organic foods under the SPROUTS and SPROUTS FARMERS MARKET marks. Vending machines using Respondent’s SPROUT mark sell and offer to sell food products, including natural and organic foods. The parties’ marks are substantially identical. Given that near identity of the marks, the identical nature of the goods and the similar channels of trade (grocery store vs. vending machine), confusion between the parties’ marks is inevitable.

I. *Belmora's* holding is inapplicable here and SFM meets the *Lexmark* standing requirement.

Respondent argues that the Board “overlook[ed], or failed to consider *Belmora LLC v. Bayer Consumer Care AG*” in denying Respondent’s motion to dismiss in the Board’s April 30th order. Dkt. 15, p. 2. Given *Belmora’s* inapplicability to the facts here, SFM thinks this unlikely.

First, the issue in *Belmora* specifically turns on standing granted (or not granted) by relying on foreign trademark registrations. *Belmora* found that Bayer did not have standing because Bayer did not have a U.S. trademark registration, Bayer never alleged a U.S. trademark registration, Bayer never relied upon a U.S. trademark registration, and Bayer never used the mark in the U.S.:

The issues in this case can be distilled into one single question: Does the Lanham Act **allow the owner of a foreign mark that is not registered in the United States and further has never used the mark in United States commerce** to assert priority rights over a mark that is registered in the United States by another party and used in United States commerce? The answer is no.

*Belmora LLC v. Bayer Consumer Care AG*, No. 1:14-CV-00847, 2015 WL 518571, \*1 (E.D. Va. Feb. 6, 2015) (emphasis added). Indeed, Bayer was found to not have standing to bring its cancellation petition because it did not have nor was it using its mark in the United States. *Belmora*, 2015 WL 518571 at \*23 (“Accordingly, because Bayer did not use the FLANAX mark in the United States, its Section 14(3) action must fail...”). Here, there is no foreign registration at issue. Unlike in *Belmora*, SFM owns and is asserting **U.S. registrations** which are used **in the U.S.** by SFM and its related companies with similar goods in a similar channel of trade as those of Respondent. Moreover, as demonstrated above and in its petition, SFM will be damaged by Respondent’s continued registration of the mark. As a result, *Belmora’s* holding is inapplicable.

Second, the *Belmora* court's reversal of the Board's finding that Bayer had standing related to Section 14(3) of the Lanham Act (15 U.S.C. § 1064(3)), not Section 14(1) of the Lanham Act (15 U.S.C. § 1064(1)), as is at issue here. *Belmora*, 2015 WL 518571 at \*24. Even if *Belmora* and *Lexmark* applied to the case at hand, the *Belmora* court, relying on *Lexmark*, clarified how low the standing requirement is in Lanham Act cases.

Under the zone-of-interests test, a statutory cause of action extends only to plaintiffs whose interests fall within the zone of interests protected by the law invoked. This test is not "especially demanding." When applying the zone of interests test, the plaintiff receives the "benefit of *any* doubt." Furthermore, the zone-of-interests test "forecloses suit only when a plaintiff's interests are so marginally related to or inconsistent with the purposes implicit in the statute that it cannot reasonably be assumed that Congress authorized that plaintiff to sue."

*Belmora*, 2015 WL 518571, \*7 (internal citations omitted; emphasis in original); quoting *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 109 U.S.P.Q.2d 2061, 134 S. Ct. 1377, 1389 (2014). To satisfy the proximate cause requirement, a plaintiff need only "show 'economic or reputational injury flowing directly' from the defendant's alleged violation of the statute." *Id.* (quoting *Lexmark*, 134 S.Ct. at 1391). As stated previously, SFM's claim falls within the Lanham Act's zone of interests because, given the identity of the marks, and the similar goods and channels of trade, Respondent's registration for its mark SPROUT is likely to be confused with SFM's registrations for SPROUTS and SPROUTS FARMERS MARKET causing harm to SFM. And since Respondent is the owner of the registration, Respondent is proximately causing SFM's injury.

SFM's pleading shows Respondent's conduct, namely its use of and registration for the SPROUT mark on vending machines selling food, is proximately causing an injury to SFM

within the zone of interests of the Lanham Act. *See* Dkt. 6. Therefore, Respondent’s request for reconsideration of the Board’s April 30th order should be denied.

II. Respondent’s “controlled licensee” argument is irrelevant and incorrect.

Respondent’s argument regarding controlled licensees is irrelevant and incorrect, because SFM *and* its related entities use the SPROUTS and SPROUTS FARMERS MARKET mark.

SFM’s response to Respondent’s original motion to dismiss clarified that:

SFM’s Amended Petition to Cancel incorrectly stated: “SFM, through its exclusive licensee...” when it should have read “SFM, through it and its related companies...”. Nevertheless, even use by a related company provides SFM with standing.

Dkt. 11, p. 8 at n. 2. Both SFM *and* its related companies own and operate grocery stores. SFM does not need to assert the standing of its affiliates or licensees or anyone to demonstrate that Respondent’s registration is injuring it. Nevertheless, even if SFM’s use were solely through licensees or related entities, the use by those parties inures to SFM’s benefit and still properly gives it standing to sue. *Turner v. HMH Publ’g Co.*, 380 F.2d 224, 229, 154 USPQ 330, 334 (5th Cir. 1967), *cert. denied*, 389 U.S. 1006, 156 U.S.P.Q. 720 (1967); *Cent. Fid. Banks, Inc. v. First Bankers Corp. of Florida*, 225 U.S.P.Q. 438, 439-440 (T.T.A.B. 1984); *Pneutek, Inc. v. Scherr*, 211 U.S.P.Q. 824, 833-835 (T.T.A.B. 1981); *Brody Chem. Co. Inc. v. Tammy L. Goldthorpe f/k/a Tammy Pierce*, 2014 WL 4219119. \*3-4 (T.T.A.B. Aug. 11, 2014)<sup>1</sup>.

It should also be noted that Respondent’s citation to *Lexmark* is misleading. In its request for reconsideration, Respondent asserts:

Reconsideration of the “controlled” licensee assumption should also take account of the lesson in *Lexmark* that the necessary “showing is generally not made when the [*alleged, proscribed action*] produces injuries to a fellow commercial actor [*such as a licensee*] that in turn affect” the one who pleads for the statutorily-

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<sup>1</sup> Copies of non-precedential decisions are attached hereto as Exhibit A.

created remedy. *Lexmark*, 109 USPQ2d at 2069 (*sic.*). In other words, the pleader may not assert the standing of another.

Dkt. 15, p. 4. Respondent's selective quotation of *Lexmark* suggests that the *Lexmark* court is indicating that a licensor cannot have standing when use is made by licensees. However, the next sentence of *Lexmark* makes clear that this was not even a remotely faithful interpretation of the Court's decision:

For example, while a competitor who is forced out of business by a defendant's false advertising generally will be able to sue for its losses, the same is not true of the competitor's landlord, its electric company, and other commercial parties who suffer merely as a result of the competitor's "inability to meet [its] financial obligations."

*Lexmark*, 134 S.Ct. at 1391. The commercial actors that the Court meant would not have standing to bring a claim for an injury suffered by a third party are commercial actors like "the competitor's landlord" and "its electric company." Such tenuous connections to the injury cannot seriously be equated to a licensee or related entity being injured as a result of a third-party's use of a confusing similar trademark. Indeed, even trademarks used solely by licensees inure to the benefit of the licensor, providing the licensor with standing to sue. *Turner*, 380 F.2d at 229; *quoting* 15 U.S.C. § 1055 ("Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public."); *and* 15 U.S.C. § 1127 ("The term 'related company' means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.").

To claim that licensors are not able to enforce the trademarks used by licensees is absurd and against all precedent and the applicable statutes. *Turner*, 380 F.2d at 229; *quoting* 15 U.S.C. §§ 1055; 1127. If that were the case, all trademark licensing programs would have no recourse to trademark infringement or protection of their trademarks before the Board in opposition and cancellation proceedings. The law, and the intent of the Lanham Act and petitions to cancel under the Lanham Act, are clear and include the ability of a trademark owner (whether licensor or direct user) to protect and enforce its trademarks:

The intent of [the Lanham Act] is to **regulate commerce** within the control of Congress by making actionable the deceptive and **misleading** use of marks in such commerce; to protect registered marks used in such commerce....

15 U.S.C. § 1127 (emphasis added). Even under *Belmora* and *Lexmark*, the Lanham Act is clear that the threshold for standing in a petition to cancel is low:

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows **by any person who believes that he is or will be damaged... by the registration of a mark on the principal register established by this chapter...**

15 U.S.C. § 1064 (emphasis added).

As before, Respondent's "controlled licensee" argument is irrelevant, and incorrect.

### III. Conclusion

For all of the above reasons, SFM requests that the Board deny Respondent's request for reconsideration.

Dated: June 18, 2015

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**CERTIFICATE OF SERVICE**

I certify that on June 18, 2015, a true and correct copy of the foregoing was served via U.S. Mail upon the following:

Charles L. Thomason  
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Columbus, Ohio 43210

/s/ Christian G. Stahl

# EXHIBIT A

2014 WL 4219119 (Trademark Tr. & App. Bd.)

THIS OPINION IS NOT A PRECEDENT OF THE TTAB

Trademark Trial and Appeal Board

Patent and Trademark Office (P.T.O.)

BRODY CHEMICAL COMPANY INC.

v.

TAMMY L. GOLDTHORPE F/K/A TAMMY PRICE

Opposition No. 91204070 to Application Serial No. 85099334

August 11, 2014

\*1 [David G. Bray](#) of Dickinson Wright/Mariscal Weeks for Brody Chemical Company, Inc.

[Nathan S. Winesett](#) of Avery, Whigham & Winesett, P.A. for Tammy L. Goldthorpe f/k/a Tammy Price

Before [Quinn](#), [Kuhlke](#) and [Taylor](#)

Administrative Trademark Judges

Opinion by [Kuhlke](#)

Administrative Trademark Judge:

#### Request for Reconsideration

On July 3, 2014, Opposer filed a Request for Reconsideration of the Board's decision issued on June 5, 2014, in which the Board dismissed Opposer's opposition against registration of Applicant's mark based on the grounds of ownership. Applicant filed a response on July 23, 2014; Opposer did not file a reply brief.

The purpose of a Request for Reconsideration is to point out errors made by the Board in rendering its decision. Reconsideration may not be used to introduce into the record additional evidence or to reargue points presented in the requesting party's brief on the case.

By its decision, the Board determined that Opposer had not established that Applicant is not the owner of the mark.

In the Request for Reconsideration, Opposer asserts the following:

While Opposer's Opening Brief argued that “[a] party cannot obtain rights for thinking of an ‘idea’ for a trademark” (Opening Brief, at p. 2) the Board did not address this point in its Order. This fundamental principle of trademark law is absolutely critical to the question of whether Brody Chemical's sole and exclusive use of the SLIPPERY WIZARD mark should somehow inure to the benefit of the Applicant as found by the Board in its Order. With all due respect to the Board, *what its June 5, 2014 decision overlooked is the question of whether Ms. Goldthorpe had any trademark rights in the SLIPPERY WIZARD designation to orally license to Brody Chemical back in 2004*. When one applies the foregoing undisputed facts to the law, the answer is an unequivocal “no.”

Req. for Recon., p. 3 (emphasis in original).

Citing to excerpts from McCarthy's treatise on trademark law and unfair competition, Opposer concludes that:

Thus in order for Brody Chemical's “use of the SLIPPERY WIZARD mark” to “insure[] [sic] to Applicant's benefit” (Order, at p. 19), Applicant must have had some trademark rights in the SLIPPERY WIZARD designation at the time the parties entered

into the alleged oral license. Based on the facts and the law cited above, she clearly did not. While Applicant may have other rights under contract law or trade secret law, she clearly does not have *trademark* rights. As a result, Opposer respectfully requests that the Board reconsider its decision and not allow Applicant's SLIPPERY WIZARD trademark application to proceed to publication.

\*2 Req. for Recon., p. 4.

Opposer relies on the following excerpts from the treatise **MCCA RTHY ON TRADEMARKS AND UNFAIR COMPETITION**:

Rights in a trademark are gained through the use before the relevant public in the marketplace, not through invention. ... The idea person who fails to make sure of the intent-to-use system will find herself without trademark rights and having to rely on the law of trade secrets and confidential disclosures for any possible relief against another's use.

2 J. Thomas McCarthy, **MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16:11** at p. 16-25 (4th ed. June 2014);

Unlike patent law, rights in trademarks are not gained through discovery or invention of the mark, but through actual usage. ... No trademark rights accrue to someone who merely selects a designation without actual use of it in the advertising or sale of goods. Trademark rights grow out of use, not mere adoption. The mere fact that a party conceived the idea of a trademark and discussed it with others does not establish priority as of the date of those events. Similarly, no priority of use is created as of the date that a party announced to a few persons that he intended to use a certain designation as a mark.

**MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16:11** at p. 16-23-25.

However, as further explained in the treatise the first use establishing trademark rights may be by the licensee, *i.e.*, the trademark rights created by the licensee's use inure to the benefit of another, the licensor, based on a prior agreement for the distribution and sale of a new product under a new brand name.

Ownership rights in a trademark or service mark can be acquired and maintained through the use of the mark by a controlled licensee *even when the first and only use of the mark was made, and is being made, by the licensee*. This is because use of a designation as a mark by a qualified licensee inures to the benefit of the licensor, who as a result becomes owner of the trademark or service mark rights in the designation. ...

... For some time, there was considerable doubt as to whether initial rights in a mark could be acquired and sustained through use of the mark only by controlled licensees when the licensor itself makes no use of the mark. For example, when party Alpha creates a concept for a hot dog fast-food franchise system identified by the mark THE DOG HOUSE, and then licenses it to party Zeta, is Alpha the "owner" of that mark? The argument that at one time appeared to be the law was that because Alpha did not use the words as a "mark" first, before licensing, Alpha had no "mark" to license to Zeta. The apparent result of accepting this argument is that Zeta becomes the "owner" of the mark by virtue of being the first to use the words as a mark to identify and distinguish the goods or services. This result appears grossly inequitable. If it were to be the law, Alpha would have to first go through the formalism of itself operating such a fast-food outlet before it could engage in licensing others. The Fifth Circuit rejected the above argument and held that a person like Alpha does acquire trade or service mark ownership through first use by controlled licensees even though Alpha itself may not have "used" the mark. Similarly, the Trademark Board in 1981 expressly overruled prior inconsistent decisions and held that rights to a mark can be acquired and maintained through use of a mark by a controlled licensee even when the only use of the mark has been made by the licensee. PTO policy expressly permits an application by a party who claims use of the mark through a licensee. ...

\*3 ... The Trademark Law Revision Act of 1988 amended Lanham Act § 5 to codify the case law rule that first use by a controlled licensee inures to the benefit of the applicant or registrant, such that rights to a mark can be acquired and maintained through use of mark by a controlled licensee even when the only use of the mark has been made by the licensee.

**MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:46** (internal citations omitted, emphasis added).

Section 5 of the Trademark Act provides:

... If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.

**15 U.S.C. § 5.**

Ownership rights in a trademark or service mark may be acquired and maintained through the use of the mark by a controlled licensee even when the only use of the mark has been made by the licensee. *Turner v. HMH Publ'g Co.*, 380 F.2d 224, 229, 154 USPQ 330, 334 (5th Cir. 1967), cert. denied, 389 U.S. 1006, 156 USPQ 720 (1967); *Cent. Fid. Banks, Inc. v. First Bankers Corp. of Fla.*, 225 USPQ 438, 440 (TTAB 1984). A controlled licensing agreement may be recognized whether oral or in writing. *Pneutek, Inc. v. Scherr*, 211 USPQ 824, 833 (TTAB 1981); *Basic Inc. v. Rex*, 167 USPQ 696 (TTAB 1970). See also *In re Raven Marine, Inc.*, 217 USPQ 68, 69 (TTAB 1983) and **TRADEMARK MANUAL OF EXAMINING PROCEDURE** (TMEP) § 1201.03(f) (USPTO accepts applications by parties who claim to be owners of marks through use by controlled licensees, pursuant to a contract or agreement.)

Thus, Opposer's use of the mark SLIPPERY WIZARD, including the first use of this mark, as Applicant's licensee inured to the benefit of Applicant based on the oral license entered into prior to the first sale of that product. Opposer's contention that "Applicant must have had some trademark rights [based on prior use] in the SLIPPERY WIZARD designation at the time the parties entered into the alleged oral license," is not supported by the law.

Opposer specifically conceded that for the purposes of the Request for Reconsideration Applicant entered into an oral license agreement with Opposer "to license the ASA-12 product, including its formula and the idea for the SLIPPERY WIZARD designation." Req. for Recon., p. 2. To the extent that footnote 2 in the Request for Reconsideration also questions the finding that Applicant controlled the nature and quality of the product, the record supports this finding. As noted in the decision, Opposer's testimony provided by Mr. Liddiard was unreliable in view of the many contradictions with Applicant's five witnesses, including one of Opposer's own witnesses, and Opposer's tampering with a key piece of evidence. Thus, Opposer did not meet its burden to prove by a preponderance of the evidence that an oral license did not exist or that it was not sufficient. Moreover, Applicant's testimony and evidence is un rebutted and sufficient to establish an oral license and control over the nature and quality of the product.

\*4 After carefully considering Opposer's request, we find no error in the findings and legal conclusions that Opposer did not meet its burden of proof to establish that Applicant is not the owner of the mark SLIPPERY WIZARD. In view thereof, Opposer's Request for Reconsideration of the Board's decision is denied, and the decision of June 5, 2014 stands.

2014 WL 4219119 (Trademark Tr. & App. Bd.)