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

Proceeding	92060895
Party	Defendant Starbuzz Tobacco, Inc.
Correspondence Address	STARBUZZ TOBACCO INC 10871 FORBES AVE GARDEN GROVE, CA 92843 UNITED STATES
Submission	Opposition/Response to Motion
Filer's Name	Jason Chuan
Filer's e-mail	NPatel@thePatelLawFirm.com, JChuan@thePatelLawFirm.com, MUy@thePatelLawFirm.com
Signature	/jasonchuan/
Date	05/04/2015
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IN THE UNITED STATES PATENT AND TRADE MARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Registration No. 3,619,407

Mark: BLUE MIST

Registered: May 12, 2009

SIS RESOURCES LTD.,)	CANCELLATION NO: 92060895
)	
Petitioner,)	REGISTRANT STARBUZZ TOBACCO,
)	INC.'S REPLY TO OPPOSITION TO
)	MOTION TO DISMISS PETITION TO
)	CANCEL
v.)	
)	Petition Filed: February 17, 2015
)	
)	[RELATED OPPOSITION NO. 91213286]
STARBUZZ TOBACCO, INC.,)	
)	
Registrant.)	

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MEMORANDUM OF POINTS AND AUTHORITIES

INTRODUCTION

Petitioner, SIS Resources LTD. (“SIS Resources” or “Petitioner”), attempts to avoid dismissal of its meritless challenge to Registrant Starbuzz Tobacco, Inc.’s (“Starbuzz”) registration for BLUE MIST for tobacco products by presenting a lengthy pleading that makes irrelevant arguments and attempts to confuse the issues. In making its arguments, Petitioner repeatedly ignores the fact that this petition for cancellation (the “Petition”) only involves Starbuzz’s right to own and register the BLUE MIST trademark for tobacco products (Reg. No. 3619407). The entire Petition is based upon Starbuzz’s filing of a Section 15 affidavit for that registration during the pendency of the *Starbuzz Tobacco, Inc. v. Lorillard, Inc., et al.* action (the “Lorillard Action”). Petitioner alleges that since the Lorillard Action was pending, Starbuzz’s statement that there was no proceeding involving Starbuzz’s right to own and register the BLUE MIST mark was false and thus fraudulent. The Lorillard Action, however, concerned Starbuzz’s right to own and register the BLUE MIST mark for electronic cigarettes, not tobacco products. This is made abundantly clear by reviewing the plain allegations in the counterclaims (the “Counterclaims”) filed by LOEC, Inc. (“LOEC”), which are attached as exhibits to the Petition. As such, the Lorillard Action did not involve Starbuzz’s right to own and register the BLUE MIST mark for tobacco products, and Starbuzz’s Section 15 affidavit was not false.

ARGUMENT

I. BASED UPON THE DOCUMENTS ATTACHED TO THE PETITION, IT APPEARS CERTAIN THAT PETITIONER CANNOT PROVE ANY SET OF FACTS WHICH WOULD SUPPORT ITS CLAIM OR ENTITLE IT TO RELIEF

Petitioner begins its opposition by arguing that there may be a factual issue as to the scope of the Lorillard Action, and the test is whether the Petition has stated a claim for relief that is plausible on its face. Opposition, p. 2. Petitioner, however, ignores the rule that documents attached to the complaint and incorporated therein by reference are also treated as part of the complaint for purposes of a Rule 12(b)(6) motion. *In re Colonial Mortg. Bankers Corp.*, 324 F.3d 12, 16 (1st Cir. 2003). A court may disregard allegations in the complaint if contradicted by facts established by reference to documents attached as exhibits to the complaint. *Nishimatsu Const. Co., Ltd. v. Houston Nat'l Bank*, 515 F.2d 1200, 1206 (5th Cir. 1975); *Durning v. First Boston Corp.*, 815 F.2d 1265, 1267 (9th Cir. 1987); *Spreewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001); *Thompson v. Illinois Dept. of Prof. Reg.*, 300 F.3d 750, 754 (7th Cir. 2002) (“[W]hen a written instrument contradicts allegations in a complaint to which it is attached, the exhibit trumps the allegations.”). This incorporation by reference doctrine allows the court to look beyond the pleadings without converting the Rule 12(b)(6) motion into a motion for summary judgment. *Knieval v. ESPN*, 393 F.3d 1068 (9th Cir. 2005).

Here, Petitioner attached the complaint and counterclaims from the Lorillard Action as exhibits to the Petition. These documents set forth the parties’ claims for relief against each other and the grounds for those claims. Fed. R. Civ. P. 8(a), 13. Thus, the

Board may rely upon those documents in determining what rights were at issue in the Lorillard Action.

II. LOEC'S COUNTERCLAIMS DID NOT PUT STARBUZZ'S RIGHTS FOR TOBACCO PRODUCTS AT ISSUE

A. LOEC'S Counterclaims Concerned Starbuzz's Right to Use Various BLUE Marks for Electronic Cigarettes, Not Tobacco Products.

The entire Petition is based upon the premise that the Lorillard Action involved Starbuzz's right to own and register the BLUE MIST trademark for tobacco products. Opposition, p. 7. Yet, the very same pleadings from that action show that such rights were never at issue. In particular, the Complaint and Counterclaims show that Starbuzz's right to own and register the BLUE MIST trademark for tobacco products was never at issue in the Lorillard Action. Rather, at issue was Starbuzz's right to use BLUE MIST for electronic cigarettes, which Starbuzz had separate trademark applications for. Petitioner argues that the line between tobacco products and electronic cigarettes is not clearly drawn. Opposition, p. 4. LOEC's Counterclaims, however, specifically recited how LOEC owns the BLU ECIGS mark for electronic cigarettes. Petition, Exhibit E, pp. 15-18. In the Counterclaims, LOEC alleged that Starbuzz's entry into the electronic cigarette market, and use of the BLUE MIST mark in connection with electronic cigarette products, is confusingly similar to LOEC's BLU marks. Petition, Exhibit E, p. 18 ¶ 24. LOEC further claimed that it only demanded that Starbuzz cease and desist from use of the BLUE MIST mark for electronic cigarette products, and withdraw its application for BLUE MIST for electronic cigarette products. Petition, Exhibit E, p. 19 ¶ 27. LOEC further complained of Starbuzz's use of BLUE for electronic cigarettes. Petition, Exhibit E, p. 20 ¶ 31. The trademark infringement counterclaims themselves

were only based upon Starbuzz's use of BLUE marks for electronic cigarette products, not any product in general. Petition, Exhibit E, p. 23-25 ¶¶ 38, 40, 49, 50. In fact, not once in the Counterclaims did LOEC allege that Starbuzz's use of BLUE MIST for tobacco products was likely to cause confusion with LOEC's marks, or that Starbuzz had no right to use BLUE MIST for tobacco products. Petitioner has also failed to address the fact that LOEC's prayer for relief did not challenge Starbuzz's right to keep the registration for BLUE MIST for tobacco products. Petition, Exhibit E, p. 26 ¶ 8. Therefore, LOEC's counterclaims neither affected nor involved Starbuzz's right to own and register the BLUE MIST trademark for tobacco products.

Petitioner also makes a misleading argument that LOEC defined the "BLUE MIST Mark" in its Counterclaims as the BLUE MIST mark for tobacco products. Opposition, p. 11. This is irrelevant. As shown above, every allegation against Starbuzz concerned its use of BLUE MIST for electronic cigarettes. Thus, Starbuzz's right to own and register the BLUE MIST mark for tobacco products was not at issue.

B. Petitioner's Arguments Regarding Starbuzz's Answer to LOEC's Counterclaims are Irrelevant.

In an attempt to derail Starbuzz's analysis, Petitioner argues that Starbuzz's denials and refutations of fact to LOEC's counterclaims are not pertinent to a Rule 12(b)(6) analysis. Opposition, p. 4. However, Starbuzz is using LOEC's allegations to show that Starbuzz's rights to the BLUE MIST mark for tobacco products was never at issue in the Lorillard Action. Thus, Starbuzz's statement to the USPTO that there were no pending proceedings involving Starbuzz's right to use and own the BLUE MIST mark for tobacco products was true. Since the exhibits attached to the Petition support that Starbuzz's statement to the USPTO was true, Petitioner's allegation that Starbuzz

committed fraud is contradicted on the face of the Petition, and thus the sole basis for the Petition fails. Therefore, the Petition should be dismissed with prejudice.

III. STARBUZZ'S COMPLAINT IN THE LORILLARD ACTION FOR DECLARATORY RELIEF DID NOT PUT ITS RIGHTS INTO ISSUE

A. Starbuzz's Complaint Against Lorillard Did Not Put its Rights to Own and Register the BLUE MIST Mark Into Issue.

Petitioner also argues that by relying upon its BLUE MIST mark in the Complaint for the Lorillard Action, Starbuzz put its rights in that mark at issue. Petition, pp. 9-10. The issue for a Section 15 declaration, however, is not whether the trademark owner has claimed rights in a trademark as part of its complaint. Rather, there must be a counterclaim involving the owner's right in the mark. *See* TMEP § 1605.04 ("The USPTO does not consider a proceeding involving the mark in which the owner is the plaintiff, where there is no counterclaim involving the owner's rights in the mark, to be a "proceeding involving these rights" that would preclude the filing or acknowledgment of a §15 affidavit or declaration."). Since, as explained supra, none of the Counterclaims involved Starbuzz's right to own and register the BLUE MIST mark for tobacco products, the Lorillard Action was not a proceeding involving those rights that would preclude the filing or acknowledgment of a §15 affidavit.

Furthermore, Starbuzz's own allegations never put its right to own and register the BLUE MIST mark for tobacco products at issue. Rather, Starbuzz claimed ownership of the BLUE MIST mark for tobacco products. LOEC did not allege that Starbuzz was not the owner of the BLUE MIST mark for tobacco products, and it did not allege that Starbuzz did not have the right to keep the registration of the same.

B. Starbuzz's Position as a Declaratory Relief Plaintiff Against Lorillard Did Not Automatically Put its Rights to the BLUE MIST Mark for Tobacco Products at Issue.

Petitioner also claims that courts have found declaratory relief claims for non-infringement and counterclaims for infringement to constitute proceeding involving said rights under 15 U.S.C. § 1065(2). Opposition, p. 14. Careful review of the cases cited, however, show that they are not applicable here.

In *Constellation Brands, Inc. v. Arbor Hill Assocs., Inc.*, 535 F. Supp. 2d 347 (W.D.N.Y. 2008), the declaratory relief plaintiff, Constellation, owned trademark registrations for ARBOR VALLEY for table wine, and ARBOR MIST for wine beverages. *Id.* at 350, 352. The defendant and counterclaimant, AHA, owned a registration for ARBOR HILL for food products. *Id.* at 350, 351. AHA asserted that Constellation's use of ARBOR MIST for wine beverages infringed upon the ARBOR HILL trademark. *Id.* at 352-353. Constellation filed a complaint for declaratory relief, asserting no trademark infringement. *Id.* at 353. AHA counterclaimed for trademark infringement. *Id.* During the pendency of that same case, Constellation filed a Section 8 and 15 affidavit for the ARBOR MIST mark. *Id.* AHA then amended its counterclaims to assert that Constellation had committed fraud in filing that affidavit. *Id.* at 355.

This case differs markedly from *Constellation Brands*. As explained *supra*, LOEC has never asserted that Starbuzz's use of the BLUE MIST mark for tobacco products infringed upon LOEC's BLU marks. Also, LOEC's counterclaims did not challenge Starbuzz's right to own and register the BLUE MIST mark for tobacco products. Furthermore, Starbuzz's declaratory relief action was not brought defensively to protect its registration for BLUE MIST for tobacco products, but to protect its

registration for electronic cigarettes. Additionally, though the Lorillard Action was pending, LOEC never amended its counterclaims to assert that Starbuzz had committed fraud in filing the Section 8 and 15 affidavit. Thus, *Constellation Brands* is inapplicable.

In *Plumtree Software v. Datamize, LLC*, No. C 02-5693 VRW, 2003 WL 25841157 (N.D. Cal., Oct. 6, 2003), the declaratory relief defendant had already filed a complaint for patent infringement in the District of Montana. *Id.* at 2. The court was not concerned with issues of trademark infringement or cancellation. Furthermore, focusing on realignment is irrelevant. The TMEP rule regarding counterclaims reflects that a party has to actively seek invalidation of the trademark owner's rights in order for it to affect the owner's right to own and register the trademark. TMEP § 1605.04. Again, LOEC did not allege that Starbuzz's BLUE MIST mark for tobacco products was likely to cause confusion with LOEC's BLU marks, or seek cancellation of Starbuzz's BLUE MIST mark for tobacco products. Rather, LOEC's claims focused on Starbuzz's use of the BLUE MIST mark for electronic cigarettes.

In *Levi Strauss & Co. v. Abercrombie & Fitch Trading*, 548 F. Supp. 2d 811 (N.D. Cal., 2008), Levi Strauss was previously engaged in contested federal lawsuits when the section 8 and 15 affidavit was filed. *Id.* at 812. Abercrombie alleged that in one of those cases, the defendant specifically challenged Levi Strauss' claim of ownership of the trademark and its right to register and keep the same. *Id.* at 812. Since there was no such claim in this case, *Levi Strauss* is not applicable.

C. **LOEC's Answer to Starbuzz's Complaint Also Did Not Involve Starbuzz's Right to Own and Register the BLUE MIST Mark for Tobacco Products.**

Petitioner also argues that LOEC's answer to the Complaint involved Starbuzz's right to own and register the BLUE MIST mark. Opposition, p. 10. None of the paragraphs that Petitioner cites support this argument.

The first paragraph is a denial that Starbuzz's rights in the BLUE MIST mark for tobacco have priority over LOEC's rights in the BLU Marks. There is no denial of the fact that Starbuzz owns the BLUE MIST mark for tobacco products, or has the right to register the same.

In the second paragraph, LOEC admits that there is a controversy regarding Starbuzz's use of the BLUE MIST mark. As explained *supra*, however, the controversy involved Starbuzz's use of BLUE MIST for electronic cigarettes, not tobacco products.

As to the third paragraph, LOEC simply admits that Starbuzz filed an action and further denies that Starbuzz is entitled to relief. Again, there was no claim regarding Starbuzz's right to own and register the BLUE MIST mark for tobacco products.

With the fourth paragraph, LOEC simply acknowledges that Starbuzz asserted a lack of confusion between Starbuzz's BLUE MIST mark for electronic cigarettes, and LOEC's BLU marks.

None of these paragraphs concerned Starbuzz's right to own and register the BLUE MIST mark for tobacco products. Thus, LOEC's answer did not make the Lorillard Action a proceeding involving Starbuzz's right to own and register the BLUE MIST mark for tobacco products.

IV. STARBUZZ, LORILLARD, AND LOEC'S PRELAWSUIT DISCUSSIONS DID NOT INVOLVE STARBUZZ'S RIGHT TO OWN AND REGISTER THE BLUE MIST MARK FOR TOBACCO PRODUCTS

Petitioner further argues that the BLUE MIST registration was at issue from the outset of the dispute between Starbuzz and Lorillard and LOEC. First, these pre-lawsuit communications are irrelevant because they were not proceedings that involved Starbuzz's right to own and register the BLUE MIST mark for tobacco products. Second, review of the communications at issue show that the parties were only discussing whether Starbuzz had the right to continue owning and using the BLUE MIST mark for electronic cigarettes, not tobacco products. Petition, Exhibit E, p. 27 ("We have recently learned that [Starbuzz] is selling, offering for sale, advertising, and/or distributing electronic cigarettes under the mark BLUE MIST (the "Infringing Mark"), and has applied to register the Infringing Mark with the Trademark Office in connection with electronic cigarettes") (emphasis added). In fact, Lorillard only demanded that Starbuzz abandon its trademark application for BLUE MIST for electronic cigarettes, not tobacco products. Petition, Exhibit E, p. 28. Even after Starbuzz informed LOEC of the existence of the BLUE MIST registration for tobacco products, LOEC did not challenge Starbuzz's ownership of that mark. Instead, LOEC only demanded that Starbuzz cease use of BLUE MIST for electronic cigarettes. Petition, Exhibit E, p. 40. Thus, none of the pre-litigation communications involved Starbuzz's right to own and register the BLUE MIST mark for tobacco products.

V. PETITIONER'S STANDING ARGUMENT IS A FRIVOLOUS ATTEMPT TO CONFUSE THE ISSUES

Petitioner further presents a long discussion regarding standing. Opposition, pp. 4-6. As Petitioner itself acknowledges, however, Starbuzz did not challenge SIS

Resources' standing to assert a petition for cancellation. Therefore, the entire discussion is a frivolous waste of resources.

VI. PETITIONER'S ARGUMENT THAT STARBUZZ WAIVED ITS RIGHT TO ASSERT A RULE 12(b)(6) DEFENSE IS ALSO FRIVOLOUS

Finally, Petitioner argues that Starbuzz's motion to consolidate and suspend proceedings constituted an appearance and waived Starbuzz's right to assert any defenses. This argument is meritless, and Petitioner has never presented any existing law to support the assertion. Rather, existing law holds that the filing of non-Rule 12 motions does not trigger any waiver of Rule 12 defenses. *See Aetna Life Ins. Co. v. Alla Medical Services, Inc.*, 855 F.2d 1470, 1474-1475 (9th Cir. 1988) (motion to stay did not bar a subsequent Rule 12(b)(6) motion). Furthermore, a defense of failure to state a claim may be raised in any pleading allowed or ordered under Rule 7(a), by a motion for judgment on the pleadings, or at trial. Fed. R. Civ. P. 12(h). The defense cannot be waived by failing to assert it in a preliminary motion or answer. *Brown v. Trustees of Boston Univ.*, 891 F.2d 337, 357 (1st Cir. 1989). Even if a Rule 12(b)(6) motion is deemed untimely, it will simply be construed to be a Rule 12(c) motion for judgment on the pleadings. *Erlich v. Ouellette, Labonte, Roberge & Allen, P.A.*, 637 F.3d 32, 35 (1st Cir. 2011). Therefore, Petitioner's legal contention is not warranted by existing law and its argument is frivolous.

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CONCLUSION

Based on the foregoing, Registrant Starbuzz Tobacco, Inc. respectfully requests that the Trademark Trial and Appeal Board dismiss the Petition with prejudice.

Respectfully submitted,
THE PATEL LAW FIRM, P.C.

/jasonchuan/
Natu J. Patel
Jason Chuan
Attorneys for Registrant,
Starbuzz Tobacco, Inc.

The Patel Law Firm, P.C.
22952 Mill Creek Drive
Laguna Hills, CA 92653
Telephone: (949) 955-1077
Facsimile: (949) 955-1877
NPatel@thePatelLawFirm.com
JChuan@thePatelLawFirm.com

CERTIFICATE OF SERVICE

I certify that a copy of REGISTRANT STARBUZZ TOBACCO, INC.'S REPLY TO OPPOSITION TO MOTION TO DISMISS PETITION TO CANCEL is being served via United States mail, postage prepaid, on this the 4th day of May 2015, to the following:

Applicant's Attorney/Representative:

ANN K FORD
JOHN M. NADING
DLA PIPER LLP US
500 8TH STREET NW
WASHINGTON, DC 20004
UNITED STATES
Ann.Ford@dlapiper.com, dctrademarks@dlapiper.com,
john.nading@dlapiper.com,


Mark Uy