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

Proceeding	91224990
Party	Defendant David A. Castro
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Submission	Motion to Dismiss - Rule 12(b)
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Attachments	2016 01 04 Applicant Motion to Dismiss.PDF(360463 bytes)

potential United States trademark rights arose after the foreign trademarks became famous in the United States. The famous marks exception does not exist in any federal circuit other than the Ninth Circuit. Neither the Fourth Circuit nor the Federal Circuit has recognized the famous marks exception. Opposers have inferior trademark rights under United States statutes and no right to oppose the Application.

Even if the famous marks exception were available to Opposers, they have not plead the required elements of the exception, in that they have not averred that their trademark is either inherently distinctive or has acquired secondary meaning throughout the United States. The Opposition does not aver facts suggesting the possibility that the Opposers can prove the required elements of the famous marks exception.

Therefore, the Opposition should be dismissed with prejudice.

II. PROCEDURAL BACKGROUND

- On April 19, 2015, Applicant David Castro filed his application under Section 1(b) to register the proposed trademark INSPIRADA in International Class 34 in connection with the sale of cigars (Serial No. 86602243)(the "Application"). Mr. Castro and his affiliated businesses sell cigars.
- On November 20, 2015, Opposer General Cigar Company, Inc. ("GC"), filed an application under Section 1(b) to register the proposed trademark MACANUDO INSPIRADO in International Class 34 in connection with the sale of cigars (Serial No. 86827304) ("GC's Application"). Opposer Scandinavian Tobacco Group Eersel, BV ("ST") is not a party to the GC Application.

- On November 24, 2015, the Opposers filed the Opposition. The Opposition avers that GC and ST are subsidiaries of a common parent, but does not aver facts that demonstrate how GC attains to the foreign trademark rights (if any) of ST, nor how ST has any current economic stake in GC's trademark application or business. The Opposition contends that the Application should be denied because: 1. The Applicant's trademark priority is inferior to the Opposers' proposed trademark; 2. The Applicant filed the Application in bad faith; and 3. Applicant's trademark suggests a false connection with Opposers.

III. LEGAL STANDARD

"To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (*citing* Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570 (2007)). This requirement prevents "a plaintiff with 'a largely groundless claim' [from] 'tak[ing] up the time of a number of other people, with the right to do so representing an *in terrorem* increment of the settlement value.'" Twombly, 550 U.S. at 558. "In considering a Rule 12(b)(6) motion, the Court must construe the complaint in the light most favorable to the plaintiff, read the complaint as a whole, and take the facts asserted therein as true." Schreiber v. Dunabin, 938 F. Supp. 2d 587, 594 (E.D. Va. 2013), appeal dismissed (4th Cir., 13-1812)(Oct. 29, 2013) . The TTAB is not, however, "bound to accept as true a legal conclusion couched as a factual allegation." Twombly, 550 U.S. at 555 (citation omitted).

IV. ARGUMENT

A. Applicant Has Superior United States Trademark Rights Under United States Statutes Governing Trademark Priority.

The general rule concerning the relationship between priority rights under United States trademark law and competing rights under foreign trademark law is as follows:

It is axiomatic that under United States trademark law, a party establishes valid ownership of a mark by being the first to use that mark in commerce. *See United States v. Steffens*, 100 U.S. 82, 85, 25 L.Ed. 550 (1879); *Estate of Coll-Monge v. Inner Peace Movement*, 524 F.3d 1341, 1347 (D.C.Cir.2008); *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir.1996); *see also Jaffe v. Simon & Schuster Inc.*, 3 U.S.P.Q.2d 1047, 1987 WL 124312, at *4 (S.D.N.Y.1987) (“Ownership of a mark is not determined by the race to the Patent Office, but by the race to the market.”). It also is a basic tenet of American trademark law that foreign use of a mark creates no cognizable right to use that mark within the United States. *See Fuji Photo Film Co., Inc. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 599 (5th Cir.1985). This is known as the “territoriality principle,” through which “trademark rights exist in each country solely according to that country's statutory scheme.” *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1568–69 (Fed.Cir.1990); As such, the “ ‘ [p]riority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world.’ ” *See Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1093 (9th Cir.2004) (quoting 3 McCarthy on Trademarks § 29:2 (4th ed.) (internal footnote omitted)).

Paeteria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V., 69 F. Supp. 3d 175, 201-02 (D.D.C. 2014) *reconsideration denied*, 79 F. Supp. 3d 60 (D.D.C. 2015)(“Paeteria”). The Paeteria court said that “the Court need not decide whether to recognize the [famous marks exception] . . . at this time because PROLACTO does not come close to establishing the necessary fame of its marks within the United States for the doctrine to apply.” Paeteria at 203.

Applicant established *constructive* first use of his trademark on the date he filed his trademark application under Section 1(b) of the Lanham Act, thereby acquiring “a right of priority, nationwide in effect, on or in connection with the goods or services specified in

the registration against any other person . . . “ who has neither used his trademark in United States commerce nor filed an application for trademark rights as of Applicant’s filing date. 15 U.S.C.A. § 1057(c).

The averments in the Opposition indicate that GC alone (not ST) has a valid United States trademark right under the general rule—and that right is inferior to those of the Applicant. GC’s Application was filed November 20, 2015. The Application’s filing date is April 19, 2015. Therefore, the Application has an earlier, superior priority date, and GC’s Opposition should be denied on that basis.

ST’s Opposition should be denied because ST has neither filed to register nor used its trademark in the United States before the Application’s priority date. Furthermore, ST has not plead any valid interest in GC’s Application, so whatever rights that application affords GC are essentially irrelevant to ST. An intention to form a business relationship concerning the trademark in the future is not a sufficient interest.

Opposers appear to rely on an exception to the general rule, however, known as the “famous marks exception.” No federal courts other than those within the Ninth Circuit have adopted the famous marks exception. See Barcelona.com, Inc. v. Excelentísimo Ayuntamiento De Barcelona, 330 F.3d 617, 628 (4th Cir. 2003), Maruti.Com v. Maruti Udyog Ltd., 447 F. Supp. 2d 494, 500 (D. Md. 2006). Accord ITC Ltd. v. Punchgini, Inc., 482 F.3d 135, 164 (2d Cir.), certified question accepted, 8 N.Y.3d 994, 870 N.E.2d 151 (2007) and certified question answered, 9 N.Y.3d 467, 880 N.E.2d 852 (2007), cert. denied, 552 U.S. 827, 128 S. Ct. 288, 169 L.Ed.2d 38 (2007)(“ITC”)(“Congress’s specificity in dealing with registered marks cautions against reading a famous marks exception into sections 44(b) and (h), which nowhere reference the doctrine, much less

the circumstances under which it would appropriately apply despite the fact that the foreign mark was not used in this country.”).

In Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp. 3d 490 (E.D. Va. 2015), Bayer Consumer Care AG and Bayer Healthcare's (collectively “Bayer”) appealed a decision of the Trademark Trial and Appeal Board (“TTAB”), claiming that Belmora's FLANAX trademark should be cancelled because Belmora deceives consumers into thinking that its FLANAX brand of pain relief medicine is the same FLANAX brand under which Bayer has sold pain relief medicine in Mexico for decades.

The TTAB had granted Belmora’s motion to dismiss three of Bayer’s four claims in support of the cancellation of Belmora’s trademark, namely the claims based on alleged likelihood of confusion, violation of the Paris Convention for the Protection of Industrial Property (the “Paris Convention”), and fraud. But the TTAB cancelled Belmora's trademark based on Bayer’s claim of misrepresentation of source under Section 14(3) of the Trademark Act. The TTAB decision found that Belmora not only copied the logo and trade dress of Bayer's FLANAX, but also made statements inferring an association between Bayer's FLANAX and Belmora's FLANAX.

On appeal, the Federal District Court for the Eastern District of Virginia reversed the cancellation of Belmora’s trademark registration, holding that Bayer lacked any protectable interest in the United States, even in the face of what appeared to be misrepresentations by Belmora. The Court held:

The TTAB decision found that Belmora not only copied the logo and trade dress of Bayer's FLANAX, but also made statements inferring an association between Bayer's FLANAX and Belmora's FLANAX. See *Bayer Consumer Care AG v. Belmora LLC*, 110 U.S.P.Q.2d 1623, 2014 WL 1679146, at *11–12 (T.T.A.B.2014) (“I’m with *Belmora LLC*, we’re the direct producers of **FLANAX** in the US. **FLANAX** is a well-known medical product in the Latino American market, for FLANAX is sold

successfully in Mexico, Centre [sic] and South America.” (emphasis in original) (citation and internal quotation marks omitted)). The TTAB found that retail customers and consumers exposed to Belmora's statements “would draw the logical conclusion that [Belmora's] U.S. product is licensed or produced by the source of the same type of product sold under the FLANAX brand for decades south of the border.” *Id.* at *12 (citations omitted).

Assuming these facts to be true, the Court notes that Belmora applied to register the FLANAX mark in 2003. Bayer asserts that it has been using the FLANAX mark in Mexico since the 1970's. Bayer attempted to register FLANAX in the United States in 2004 but the PTO rejected the application based on Belmora's preexisting efforts to register the mark. (Doc. 35 ¶¶ 32–36.) The PTO issued Belmora the registration for the FLANAX mark on February 1, 2005. **By registering the FLANAX mark and using it in United States commerce, Belmora established priority rights over the mark. Bayer, an entity that possesses a foreign FLANAX mark but has never used that mark in United States commerce, cannot usurp these rights.**

In sum, the Court holds that the Lanham Act does not permit Bayer, the owner of a foreign FLANAX 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 Belmora's FLANAX mark that is registered in the United States and used in United States commerce. Though Belmora's practices may seem unfair, the Lanham Act “does not regulate all aspects of business morality.” *Selfway, Inc. v. Travelers Petroleum, Inc.*, 579 F.2d 75, 79 (C.C.P.A.1978). Consequently, the TTAB's decision cancelling the registration of Belmora's FLANAX mark must be reversed

Belmora LLC v. Bayer Consumer Care AG, 84 F. Supp. 3d 490, 518-19 (E.D. Va. 2015)

(emphasis added).

Congress has adopted and amended the Lanham Act to delineate trademark rights in the United States, taking into account what rights foreign trademark owners should have in this country. Opposers could have easily availed themselves of the protections of American law by filing a timely trademark application based on a *bona fide* intention to use their trademark in the United States. According to the Opposition, Opposers made the decision to enter the United States market before the Application was filed and “took steps” to introduce their trademark, which steps self-evidently took time to plan. But Opposers delayed in filing their trademark application until seven months following the

date on which the Application was filed. The Applicant should not be penalized for the fact that Opposers chose not to diligently pursue the protection of their trademark rights in the United States. Alleged fame does not excuse this delay.

Furthermore, the policy implications of allowing the Opposers to subvert Applicant's clear trademark rights are disastrous. Businesses considering whether to use a trademark would have to evaluate whether their proposed marks are arguably confusingly similar to trademarks in use throughout the world and would have to engage in an amorphous and costly analysis of the level of fame associated with each such trademark. This worldwide approach to trademark law, known as the universality principle, flies in the face of the territorial principle under which a trademark has a separate legal existence under each country's laws. "The principle of territoriality is basic to American trademark law," ITC, 552 U.S. at 155, and to the Paris Convention.

B. Even If the Famous Marks Exception Were Potentially Available to the Opposers, They Have Improperly Plead the Elements of the Exception and Have Not Averred Facts That Make Proof of the Elements Plausible.

Even if the famous marks exception were potentially available to Opposers, they have not plead the exception's required elements nor alleged sufficient facts to state a claim upon which relief can be granted. The Opposition states in part:

6. Prior to Applicant's filing date of April 19, 2015, Opposers took steps preparatory to use in commerce extending the brand MACANUDO INSPIRADO into the United States market by introducing the brand at cigar events.

7. Prior to Applicant's filing date of April 19, 2015, Opposers' MACANUDO INSPIRADO brand had reputation in the United States among cigar consumers and professionals in the industry.

* * *

10. Opposers' MACANUDO INSPIRADO brand is well known around the world among consumers of cigars.

11. The MACANUDO INSPIRADO brand is featured in cigar-industry publications such as Cigar Magazine, Cigar World, and halfwheel.com.

12. Upon information and belief, professionals in the Cigar industry such as Applicant are familiar with these publications.

* * *

15. Because Opposers' mark is well known by the relevant consuming public, the subject mark falsely suggests a connection with Opposers, and registration is prohibited under Section 2(a) of the Lanham Act.

Opposition, pp. 2-3.

The few courts that have adopted the famous marks exception have expressed conflicting requirements for the demonstration of the requisite quantum of fame. For this reason, among others, the court in Maruti declined to accept the famous marks exception, saying, "[T]here is disagreement over what the doctrine requires. The Ninth Circuit, for example, says that there must be 'secondary meaning' and 'a substantial percentage of American customers familiar with the mark.' See Grupo Gigante [SA De CV v. Dallo & Co., Inc.], 391 F.3d [1088,] 1098 [(9th Cir. 2004)("Grupo")]." Maruti.Com v. Maruti Udyog Ltd., 447 F. Supp. 2d at 500 (D. Md. 2006). Before the Second Circuit expressly refused to embrace the famous marks exception, the Southern District of New York seemed to require only "secondary meaning." See De Beers [LV Trademark Limited et al. v. DeBeers Diamond Syndicate Inc. et al.], 2005 WL 1164073 at *8."¹

Courts that have considered the theoretical possibility of applying the famous marks exception agree, however, that, "The famous mark doctrine is narrow and places

¹ In ITC, 482 F.3d at 165, the Second Circuit declined to follow De Beers.

a high burden on the party seeking its protection.” Paleteria, 79 F. Supp. 3d at 205. The Paleteria court indicated that a foreign trademark owner can only achieve priority based on reputation in the geographic “zones of actual market penetration” through a showing by a preponderance of the evidence that a “substantial percentage of consumers in the relevant American market is familiar with the foreign mark.” Paleteria, 79 F. Supp. 3d at 203, citing Grupo, 391 F.3d at 1098 (9th Cir. 2004). The Paleteria court said that a “substantial percentage” of consumers would approach “50% of consumers in the relevant market.” Id at 204. The relevant market is the market within which the foreign user seeks priority status. In this case, the Opposers seek national priority, so the relevant market is the entire United States.

Like the court in Grupo, the Paleteria court also required a showing that the foreign trademark was inherently distinctive or had acquired secondary meaning in the United States in order to afford protection under the Lanham Act:

Even if a party establishes priority in a specific market through commercial use, that alone does not entitle the mark to protection under the Lanham Act. See Fernandez v. Jones, 653 F.Supp.2d 22, 29 (D.D.C.2009); Globalaw Ltd. v. Carmon & Carmon Law Office, 452 F.Supp.2d 1, 26–28 (D.D.C.2006). Instead, a party also must demonstrate that the mark is either inherently distinctive, in which its intrinsic nature serves to identify its particular source, or has acquired a secondary meaning in the minds of consumers.

Paleteria, 79 F. Supp. 3d at 209.

The Opposition fails to aver that MACANUDO INSPIRADO is either inherently distinctive or has achieved secondary meaning throughout the United States. It pleads no facts that make it plausible that this required element of the Opposers’ cause of action could be proven. The TTAB is not “bound to accept as true a legal conclusion couched as a factual allegation,” Twombly, 550 U.S. at 555 (citation omitted), which is what the

averments in the Opposition that the Opposers mark “had reputation” and is “well known” amount to. Because this required prong of the famous marks exception is omitted, the Opposition fails to state a claim upon which relief can be granted.

V. CONCLUSION

Applicant’s trademark priority date is superior to the priority date that the Opposers acquired through GC’s Application. The famous marks exception is unavailable to Opposers, and even if it were available, the Opposers have not plead the necessary elements of the exception nor averred facts that make it plausible that they could prove the necessary elements at trial. For the foregoing reasons, the Applicant requests that the Opposition be dismissed with prejudice as to both Opposers.

Applicant appoints David S. Greber, Esq., as his attorney for all proceedings in this Opposition. Please send all correspondence with David S. Greber by email to: dsgreber@gblaw.us and cidattilio@gblaw.us.

Respectfully submitted,

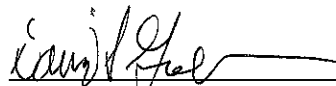


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CERTIFICATE OF SERVICE

I hereby certify that on January 4, 2016, a true and complete copy of the foregoing document was served on Opposers' attorney, Janet F. Satterthwaite, by sending the document to the following email addresses: jsatterthwaite@potomaclaw.com and tm@potomaclaw.com.



David S. Greber

Date: January 4, 2016