

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
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EJW

November 9, 2019

Opposition No. 91237356

*Rocket Sports, LLC*

*v.*

*Dexter Kan*

**ELIZABETH J. WINTER, INTERLOCUTORY ATTORNEY:**

This case now comes up for consideration of Applicant's motion (filed June 17, 2019) to amend his answer to add a counterclaim.<sup>1</sup>

The Board has considered the parties' briefs and evidence, but addresses the record only to the extent necessary to set forth the Board's analysis and findings, and does not repeat or address all of the parties' arguments or evidence. *Guess? IP Holder LP v. Knowlux LLC*, 116 USPQ2d 2018, 2019 (TTAB 2015). For purposes of this order, the Board presumes the parties' familiarity with the pleadings, and the arguments and evidence submitted in connection with the subject motion.

**I. Applicant's Motion to Amend Answer to Add Counterclaim**

By way of background, by its motion filed on December 29, 2018, 31 TTABVUE, Applicant sought to amend its answer to add two counterclaims, shortly after his

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<sup>1</sup> The Board denied without prejudice Opposer's motion (filed July 7, 2019) to compel responses to Opposer's requests for production of documents. 45 TTABVUE.

present counsel made an appearance. 24 TTABVUE. During an *inter partes* teleconference with the parties, the Board denied Applicant's motion, stating, *inter alia*, that such amendment was futile because neither of the proposed claims were proper grounds for cancellation. 39 TTABVUE 3. However, at the parties' request, the Board extend the discovery period and subsequent trial dates so that the parties could conduct depositions. 39 TTABVUE 5.

Based on information received by Applicant during its deposition of Stephen Koda, president and sole principal of Opposer, Applicant now seeks to amend its answer to include two new counterclaims. Specifically, Applicant seeks to add counterclaims for fraud and non-use of the registered mark ROCKET SPORTS in connection with the services identified in the registration. In support of Applicant's submission, Applicant explains that in a deposition of Mr. Koda conducted on May 23, 2019, the transcript of which was received on June 5, 2019, Opposer revealed that he was not providing marketing services (as set forth in the registration) for the benefit of others in connection with the registered mark.

#### **A. Legal Standard**

Fed. R. Civ. P. 15(a)(2), applicable to this proceeding pursuant to Trademark Rule 2.116(a), and Trademark Rule 2.107(a) encourage the Board to look favorably on motions to amend, stating that the Board "should freely give leave when justice so requires." Nevertheless, if allowance of the amendment would cause undue delay, prejudice the opposing party, be futile or be the product of bad faith or dilatory motive, amendment will be denied. *See Foman v. Davis*, 371 U.S. 178, 182 (1962); *W.R. Grace*

*& Co. v. Arizona Feeds*, 195 USPQ 670, 671 (Comm’r Pat. 1977); *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A. de C.V.*, 464 F.3d 1339, 80 USPQ2d 1385, 1395 (Fed. Cir. 2006); *Am. Express Mktg. & Dev. Corp. v. Gilad Dev. Corp.*, 94 USPQ2d 1294, 1297 (TTAB 2010); *see also* TBMP § 507.02 (June 2019).

In determining whether the other party would be prejudiced by allowance of the proposed amendment, the timing of the motion for leave to amend plays a large role. *Embarcadero Tech., Inc. v. Delphix Corp.*, 117 USPQ2d 1518, 1523 (TTAB 2016) (citing *Black & Decker Corp. v. Emerson Electric Co.*, 84 USPQ2d 1482, 1486 (TTAB 2007)). The concept of “undue delay” is inextricably linked with the concept of prejudice to the non-moving party (*see Marshall Field & Co. v. Mrs. Fields Cookies*, 11 USPQ2d 1355, 1359 (TTAB 1989)), such that the Board may determine that if there is no prejudice to the non-moving party, there is no undue delay. *See Am. Express Mktg. & Dev. Corp.*, 94 USPQ2d at 1297 (although delay was substantial, no prejudice where proceedings were still in the discovery stage and non-movant could be afforded time in which to take discovery). The Board may also consider whether the party has previously amended its pleadings. *See Am. Express Mktg. & Dev. Corp. v. Gilad Dev. Corp.*, 94 USPQ2d at 1297.

Nonetheless, a motion for leave to amend should be filed as soon as any ground for such amendment becomes apparent. *See Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285 (TTAB 2008); *Trek Bicycle Corp. v. StyleTrek Ltd.*, 64 USPQ2d 1540, 1541 (TTAB 2001). Any party who delays filing a motion for leave to amend its pleading and, in so delaying, causes prejudice to its adversary, is acting contrary to

the spirit of Rule 15(a) and risks denial of that motion. *See Capital Speakers Inc. v. Capital Speakers Club of Washington D.C. Inc.*, 41 USPQ2d 1030 (TTAB 1996) (the Board may deny a motion to amend when the movant knew or should have known of the facts upon which the amendment is based when the original pleading was filed, and the movant offers no excuse for the delay); *see also* 6 Fed. Prac. & Proc. Civ. § 1488 (3d ed. April 2018 update); Chapman, “Tips from the TTAB: Amending Pleadings: The Right Stuff,” 81 *Trademark Reporter* 302, 307 (1991).

However, “ordinarily, the Court should grant leave to amend whenever doing so will not unduly delay trial of the case or prejudice the other party.” *Microsoft Corp. v. Qantel Business Systems Inc.*, 16 USPQ2d 1732, 1733 (TTAB 1990) (citing *Flatley v. Trump*, 11 USPQ2d 1284, 1286 (TTAB 1989)). The granting of a motion for leave to amend a pleading is within the discretion of the Board and is allowed only when justice so requires. *Trek Bicycle Corp.* 4 USPQ2d at 1541.

## **B. Board’s Analysis and Order**

### **1. Timeliness and Prejudice**

Turning first to the issue of whether Applicant unduly delayed in filing his motion, although Opposer has not argued that Applicant’s motion is untimely, the Board finds that the motion to amend is timely insofar as Applicant learned of the grounds for the counterclaims as a result of discovery late in the discovery period and the transcript of the deposition at issue was not served until after the close of discovery. *See, e.g., Karsten Mfg. Corp. v. Editoy AG*, 79 USPQ2d 1783, 1786 (TTAB 2006) (motion for leave to amend pleading granted because grounds for new claim were

learned during discovery); *United States Olympic Committee v. O-M Bread Inc.*, 26 USPQ2d 1221, 1222 (TTAB 1993) (applicant not prejudiced because proceeding still in pre-trial phase); *Focus 21 Int'l Inc. v. Pola Kasei Kogyo Kabushiki Kaisha*, 22 USPQ2d 1316, 1318 (TTAB 1992) (motion to amend filed prior to opening of petitioner's testimony period permitted); *Caron Corp. v. Helena Rubenstein, Inc.*, 193 USPQ 113 (TTAB 1976) (neither party had yet taken testimony); *Mack Trucks, Inc. v. Monroe Auto Equip. Co.*, 182 USPQ 511, 512 (TTAB 1974) (applicant would not be unduly prejudiced since no testimony had yet been taken); TBMP § 507.02(a).

Moreover, Opposer does not argue that it will be prejudiced if the amended pleading is allowed, and the Board finds none. Prejudice contemplates an adverse effect on the non-movant's ability to litigate the case, e.g., where the movant's delay has resulted in a loss or unavailability of evidence or witnesses, which otherwise would have been available to the non-movant. *See Trek Bicycle*, 64 USPQ2d at 1541 (citing *Pratt v. Philbrook*, 109 F.3d 18 (1st Cir. 1997)).

Further, given the grounds of Applicant's proposed counterclaims, fraud and non-use, it is likely that much of the information relevant to defend against them is in Opposer's possession. *Cf. Bad Boys Bail Bonds, Inc. v. Yowell*, 115 USPQ2d 1925, 1930 (any evidence related to [plaintiff's] use of its mark would be in its own possession, custody, or control). Further, proving a fraud claim requires a showing of intent and this type of information is usually obtainable only through discovery. *Marshall Field & Company v. Mrs. Fields Cookies*, 11 USPQ2d 1355, 1359 (TTAB 1989). Applicant only received the transcript of Opposer's deposition 10 days before

filing the subject motion. The Board also notes that Opposer requested that the trial schedule be suspended or extended six times during the proceeding (15 TTABVUE; 18 TTABVUE; 20 TTABVUE; 22 TTABVUE; 28 TTABVUE; and 30 TTABVUE). Thus, the Board fails to see how Opposer will be prejudiced by the Board's decision allowing Applicant to add his counterclaims.

In view of the foregoing, the Board finds the motion to amend to be timely insofar as granting Applicant's motion would not prejudice Opposer or significantly delay resolution of the proceeding.<sup>2</sup> Accordingly, the Board turns to whether Applicant's counterclaims are sufficiently pleaded.

## **2. Sufficiency of Counterclaims**

For purposes of determining the sufficiency of Applicant's pleading, all of his well-pleaded allegations must be accepted as true, and the complaint must be construed in the light most favorable to Applicant. *See Advanced Cardiovascular Systems Inc. v. SciMed Life Systems Inc.*, 988 F.2d 1157, 26 USPQ2d 1038, 1041 (Fed. Cir. 1993); *Petróleos Mexicanos v. Intermix SA*, 97 USPQ2d 1403, 1405 (TTAB 2010). Further, "[u]nder the simplified notice pleading of the Federal Rules of Civil Procedure, the allegations of a complaint should be construed liberally so as to do substantial justice." *Fair Indigo LLC v. Style Conscience*, 85 USPQ2d 1536, 1538 (TTAB 2007).

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<sup>2</sup> Should the counterclaims be sufficiently pleaded, the Board is also persuaded to grant Applicant's motion to amend because the counterclaims are compulsory. *See Wright, Miller, Kane et al.*, 6 Fed. Prac. & Proc. Civ. § 1430 (3d. ed. 2016) (When the omitted counterclaim is compulsory, the reasons for allowing its introduction by amendment become even more persuasive, since an omitted compulsory counterclaim cannot be asserted in subsequent cases (at least in the federal courts) and the pleader will lose the opportunity to have the claim adjudicated.).

**a. Fraud Claim**

To assert a viable claim of fraud, the plaintiff (here, Applicant as counterclaim-plaintiff) must allege with particularity, rather than by implied expression, that the defending party knowingly made a false, material representation of fact in the procurement of or renewal of a registration with the intent to deceive the U.S. Patent and Trademark Office (USPTO). *In re Bose Corp.*, 580 F.3d 1240, 91 USPQ2d 1938, 1942 (Fed. Cir. 2009); *Enbridge Inc. v. Excelerate Energy LP*, 92 USPQ2d 1537 (TTAB 2009); *see also* Fed. R. Civ. P. 9(b); Trademark Rule 2.116(a); 5A Charles Alan Wright et al., Fed. Prac. & Proc. § 1298 (3d ed. Jan. 2017) (discussing particularity requirement of Fed. R. Civ. P. 9(b)). Intent to deceive is an indispensable element of the analysis in a fraud case. *See In re Bose Corp.*, 91 USPQ2d at 1941. As such, intent to deceive the Office, whether to obtain a registration or to maintain a registration, is an element that must be pleaded in a fraud claim. Nonetheless, intent, as a condition of mind of a person, may be averred generally. Fed. R. Civ. P. 9(b); *see also DaimlerChrysler Corp. v. American Motors Corp.*, 94 USPQ2d 1086, 1088 (TTAB 2010).

Applicant’s proposed counterclaim includes the following relevant allegations:

- Upon information and belief, and based upon Opposer’s<sup>3</sup> admissions under oath during the deposition of Opposer (counterclaim-defendant) on May 23, 2019, the registration was issued based on a fraudulent Statement of Use, ¶ 8; 41 TTABVUE 128;

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<sup>3</sup> The Board identifies Opposer, the counterclaim defendant, as “Opposer,” rather than “Registrant” as Applicant does in its pleading.

- Opposer’s Statement of Use, signed by Paul W. Koda, Opposer’s attorney, included the averment that “the mark is in use in commerce on or in connection with all the goods/services in the application or notice of allowance, ...,” ¶¶ 8a. and 8b.; 41 TTABVUE 128;
- During the deposition of Opposer on May 23, 2019, “Opposer admitted to non-use of each of the services identified in the [ROCKET SPORTS] application,” ¶ 8e.; 41 TTABVUE 129;
- “When asked about the services provided in connection with the ROCKET SPORTS Mark, Opposer described only services which do not qualify as any of [the] “marketing,” “advertising,” “promotion,” or “distributorship” for the primary benefit of others. Rather, the ROCKET SPORTS Mark was described as used in connection with advertising and promoting sales of products solely within Opposer’s own inventory, sold solely through Opposer’s own website,” ¶ 8e.ii.; 41 TTABVUE 129;
- “By implication of the above admissions, Opposer knew, at the time the Statement of Use was filed, that the services being provided in connection with the ROCKET SPORTS Mark at the time of the filing of the Statement of Use were not the services identified in the ROCKET SPORTS application, ¶ 8f; 41 TTABVUE 130;
- Therefore, consistent with Opposer’s admissions, Opposer committed fraud in the procurement of its registration by knowingly filing a false Statement of Use

and Specimen with the US Patent and Trademark Office during prosecution, ¶ 8j.; 41 TTABVUE 130-31.

As discussed *supra*, a fraud claim must include an allegation of intent to deceive. *Asian and Western Classics B.V. v. Selkow*, 92 USPQ2d 1478, 1479 (TTAB 2009) (“A pleading of fraud on the USPTO must also include an allegation of intent.”) (citing *In re Bose*, 91 USPQ2d at 1939-40). A pleading of fraud must also allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 91 USPQ2d 1656, 1667 n.4 (Fed. Cir. 2009). In particular, “[t]he pleadings [must] contain explicit rather than implied expression of the circumstances constituting fraud.” *Asian and Western Classics*, 92 USPQ2d at 1478 (citing *King Automotive, Inc. v. Speedy Muffler King, Inc.*, 667 F.2d 1008, 212 USPQ 801, 803 (CCPA 1981)); *see also Crown Wallcovering Corp. v. The Wall Paper Mfrs. Ltd.*, 188 USPQ 141, 144 (TTAB 1975) (“in order to state a claim upon which relief can be granted on the ground of fraud, it must be asserted that the false statements complained of were made willfully in bad faith with the intent to obtain that to which the party making the statements would not otherwise have been entitled”). “There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.” *Bose*, 91 USPQ2d at 1942 (internal citation omitted). In addition, “the mere filing of the signed applications does not provide an inference of an intent to deceive.” *Daniel J. Quirk, Inc. v. Vill. Car Co.*, 120 USPQ2d 1146, 1154 (TTAB 2016) (citing *Kemin Indus., Inc. v. Watkins Prods., Inc.*, 192 USPQ

327, 329 (TTAB 1976) (the wording of the oath in terms of a “belief” of applicant “preclude[s] a definitive statement by the affiant that could be ordinarily used to support a charge of fraud.”)).

Here, Applicant does not allege that Opposer, through counsel, willfully filed its statement of use with the intent to deceive the USPTO,<sup>4</sup> nor does Applicant allege any circumstances indicating that Opposer *knowingly* made a false, material representation of fact in its statement of use. Essentially, Applicant alleges that because Opposer, Stephen Koda, has testified that Opposer does not provide the services recited in the registration, Opposer knew that the statement of use included a false declaration of use. See paragraph “8g.” at 41 TTABVUE 17, as alleged by Applicant, “by implication of the above admissions, Opposer knew ...” Accordingly, because there is no allegation of intent to deceive and the allegations otherwise do not indicate that Opposer knowingly made a false, material representation of fact, Applicant’s fraud claim is insufficient. *See Bose*, 91 USPQ2d at 1942.

#### **b. Non-Use in Commerce Claim**

A registration, such as Opposer’s, that issued from an application filed based on intent to use the mark in commerce under Section 1(b) is void *ab initio* if the mark was not in use in commerce in connection with the goods and/or services identified in the application prior to the expiration of the time for filing a statement of use. 15 U.S.C. §§ 1051(c), 1051(d)(1), and 1051(d)(2); 37 C.F.R. §§ 2.88(a)(1) and 2.88(a)(2); *see also Embarcadero Techs., Inc. v. Delphix Corp.*, 117 USPQ2d 1518, 1524-26 (TTAB

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<sup>4</sup> Applicant’s assertion in its reply brief that “[intent to deceive] is not an element necessary to allege fraud,” 47 TTABVUE 10, is incorrect. *See In re Bose Corp.*, cited *supra*.

2016) (in order to properly assert a nonuse claim against a registration that issued from an application that was filed based on intent to use under Section 1(b), the party asserting the nonuse claim must plead, and ultimately prove, that the defendant did not use the mark with the services listed in the registration within the time for filing the statement of use). As applied to this case, a non-use claim is based on allegations that the involved mark was not used in commerce in connection with the identified services prior to the expiration of time for filing a statement of use in support of Opposer's intent-to-use application underlying its pleaded registration.

Applicant's counterclaim of non-use in commerce is comprised, in relevant part, of the following allegations:

- Upon information and belief, and based upon Opposer's admissions during the deposition on May 23, 2019, Opposer admitted to non-use of each of the services identified in the ROCKET SPORTS application, ¶ 9a.; 41 TTABVUE 131;
- Opposer admitted that it was not hired by others to provide advertising or promotional services, ¶ 9a.i., 41 TTABVIE 131; and
- When asked at the deposition about the services provided in connection with the ROCKET SPORTS Mark, Opposer only described services that do not qualify as any "marketing," "advertising," "promotion," or "distributorship" services for the primary benefit of others, rather, Opposer described its use of the mark in connection with advertising and promoting the sale of goods within Opposer's own inventory, sold through Opposer's website ¶ 9a.ii., 41 TTABVUE 131.

The Board finds that Applicant has sufficiently pleaded a claim of non-use in commerce of the services identified in Opposer's pleaded registration. *See Carefirst of Maryland Inc. v. FirstHealth of the Carolinas Inc.*, 77 USPQ2d 1492, 1502 (TTAB 2005) ("To qualify as a 'service,' a service must be a real activity; a service must be performed to the order of, or for the benefit of, someone other than the applicant or registrant; and the activity performed must be qualitatively different from anything necessarily done in connection with the sale of the applicant's goods or the performance of another service.") (citing *In re Canadian Pac. Ltd.*, 754 F.2d 992, 224 USPQ 971 (Fed. Cir. 1985)); *cf. In re Reichhold Chems., Inc.*, 167 USPQ 376, 377 (TTAB 1970) ("It is well settled that promoting the sale and use of one's goods is not, *per se*, a service within the meaning of the statute.").

In view of the foregoing, Applicant's motion to amend its answer to include a counterclaim is **GRANTED IN PART**, that is, only to the extent that it includes a claim of non-use in commerce. To the extent that the Amended Answer includes a claim of fraud, said claim is **STRICKEN**. *See* Fed. R. Civ. P. 12(f); Trademark Rule 2.116(a).

Accordingly, Applicant's Amended Answer to Opposer's Amended Notice of Opposition, 41 TTABVUE 10, is accepted as Applicant's pleading of record. Opposer is allowed until **TWENTY-ONE (21) DAYS** from the mailing date of this order to submit an answer to Applicant's counterclaim of non-use in commerce. Additionally, the fee for said counterclaim will be charged to Deposit Account 50-5298, as directed on the last page of the amended pleading. 41 TTABVUE 19.

## II. Applicant's Affirmative Defenses 2, 5, 6 and 7 Stricken

In the Board's order mailed December 29, 2017, the Board struck Applicant's three affirmative defenses (nos. 2, 5, and 6) related to fraud and non-use because they comprised collateral attacks on Opposer's registration without a counterclaim. Affirmative defense no. 7 was also stricken because the assertion was an improper reservation of rights. 9 TTABVUE 8. Applicant reasserted those same affirmative defenses in its prior attempt to amend its answer to add a counterclaim, and the Board noted that said defenses were asserted again without amendment in any way or not with any argument why they should be entered. 39 TTABVUE 4.

The Board notes that Applicant has included the same affirmative defenses *again* in its Amended Answer (and Counterclaim). The Board is at a loss to understand why Applicant is once again including already stricken allegations, *i.e.*, affirmative defenses nos. 2, 5, 6 and 7. Insofar as defense nos. 2, 5, and 6 essentially repeat the gist of the allegations in Applicant's stricken fraud or non-use claims, they are **STRICKEN**, respectively, as improper and redundant. With respect to affirmative defense no. 7, that allegation is also **STRICKEN**. Applicant's reservation of the right to raise additional defenses is improper under the Federal Rules of Civil Procedure. *See FDIC v. Mahajan*, 923 F. Supp. 2d 1133, 1141 (N.D. Ill. 2013) (reservation of right to add affirmative defenses at a later date is improper under the Federal Rules). Specifically, Applicant cannot reserve unidentified defenses or counterclaims in its answer since it does not provide Opposer fair notice of such defenses. Whether a party

can amend its answer to include affirmative defenses and/or counterclaims would be resolved by way of a motion for leave to amend under Fed. R. Civ. P. 15(a).

**III. Proceeding Resumed; Trial Dates Reset**

Applicant’s motion to amend is granted in part, as discussed herein. This proceeding is resumed. Opposer is allowed until **TWENTY-ONE (21) DAYS** from the mailing date of this order to submit an answer to Applicant’s counterclaim of non-use in commerce. Trial dates are reset as shown in the following schedule:

<b>Answer to Counterclaim Due</b>	<b>11/30/2019</b>
<b>Pretrial Disclosures Due for Party in Position of Plaintiff in Original Claim</b>	<b>12/21/2019</b>
<b>30-day Trial Period Ends for Party in Position of Plaintiff in Original Claim</b>	<b>2/4/2020</b>
<b>Pretrial Disclosures Due for Party in Position of Defendant in Original Claim and in Position of Plaintiff in Counterclaim</b>	<b>2/19/2020</b>
<b>30-day Trial Period Ends for Party in Position of Defendant in Original Claim, and in Position of Plaintiff in Counterclaim</b>	<b>4/4/2020</b>
<b>Pretrial Disclosures Due for Rebuttal of Party in Position of Plaintiff in Original Claim and in Position of Defendant in Counterclaim</b>	<b>4/19/2020</b>
<b>30-day Trial Period Ends for Rebuttal of Party in Position of Plaintiff in Original Claim, and in Position of Defendant in Counterclaim</b>	<b>6/3/2020</b>
<b>Pretrial Disclosures Due for Rebuttal of Party in Position of Plaintiff in Counterclaim</b>	<b>6/18/2020</b>
<b>15-day Trial Period Ends for Rebuttal of Party in Position of Plaintiff in Counterclaim</b>	<b>7/18/2020</b>
<b>Opening Brief for Party in Position of Plaintiff in Original Claim Due</b>	<b>9/16/2020</b>
<b>Combined Brief for Party in Position of Defendant in Original Claim and Opening Brief as Plaintiff in Counterclaim Due</b>	<b>10/16/2020</b>
<b>Combined Rebuttal Brief for Party in Position of Plaintiff in Original Claim and Brief as Defendant in Counterclaim Due</b>	<b>11/15/2020</b>

<b>Rebuttal Brief for Party in Position of Plaintiff in Counterclaim Due</b>	<b>11/30/2020</b>
<b>Request for Oral Hearing (optional) Due</b>	<b>12/10/2020</b>

Generally, the Federal Rules of Evidence apply to Board trials. Trial testimony is taken and introduced out of the presence of the Board during the assigned testimony periods. The parties may stipulate to a wide variety of matters, and many requirements relevant to the trial phase of Board proceedings are set forth in Trademark Rules 2.121 through 2.125, 37 C.F.R. §§ 2.121-2.125. These include pretrial disclosures, the manner and timing of taking testimony, matters in evidence, and the procedures for submitting and serving testimony and other evidence, including affidavits, declarations, deposition transcripts and stipulated evidence. Trial briefs shall be submitted in accordance with Trademark Rules 2.128(a) and (b), 37 C.F.R. §§ 2.128(a) and (b). Oral argument at final hearing will be scheduled only upon the timely submission of a separate notice as allowed by Trademark Rule 2.129(a), 37 C.F.R. § 2.129(a).

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