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

Proceeding	92043031
Party	Defendant DRL ENTERPRISES, INC. Republic Tobacco, Inc. 5100 N. Ravenswood Chicago, IL 60640
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Attachments	Response to NAOC's Motion to Strike 1.25.pdf (5 pages)(16402 bytes)

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

NORTH ATLANTIC OPERATING COMPANY, INC.; NORTH ATLANTIC TRADING COMPANY; and NATIONAL TOBACCO COMPANY, L.P.,	)	
Petitioners,	)	Cancellation No. 92043031
v.	)	
DRL ENTERPRISES, INC.,	)	
Registrant.	)	

RESPONSE TO PETITIONERS' MOTION TO STRIKE ANSWER AND
REQUEST THAT THE BOARD ACCEPT ITS PREVIOUSLY-FILED ANSWER

In their motion to strike, Petitioners suggest that Registrant has simply tried to "slip" in its Answer and has no good cause for the late-filing of its Answer. Petitioners know better. Registrant and Petitioners have been involved in active settlement discussions that could have resolved this matter. After these discussions became unproductive, Registrant filed its Answer. Petitioners' motion is therefore little more than a disingenuous attempt to avoid resolving this action on its merits, contrary to the policy of the Board and the interests of fairness. Thus, Petitioner's Motion to Strike Answer and to Have Judgment by Default Entered Against Registrant should be denied.

Moreover, as set forth more fully below, Registrant has a meritorious defense, its delay in filing was not the result of gross neglect as asserted by Petitioners, and Petitioners have not been substantially prejudiced by the delay. Accordingly, because Registrant has good cause for the delay in filing, Registrant requests that the Board accept its previously-filed Answer.

A. Registrant has Good Cause for its Delay in Filing its Answer.

The Board may allow a late-filed answer upon a showing of good cause. TPMB § 312. Good cause is found where the delay in filing an answer was not the result of willful conduct or gross neglect, the plaintiff will not be substantially prejudiced by the delay, and the defendant has a meritorious defense. TBMP §312.03. Determining whether good cause exists does not require an evaluation of the merits. Id. "All that is required is a plausible response to the allegations of the complaint." Id.

In this case, Petitioners suggest the delay in filing was the result of gross neglect. To the contrary, the parties have been involved since early 2006 in active settlement negotiations to resolve multiple proceedings and claims at issue between them, including Cancellation Nos. 92042927, 92042928, and 92043031. To illustrate, the parties have exchanged settlement proposals and retained and met with a professional mediator on several occasions for a global settlement of the matters in conflict between them. Though the parties did not suspend these proceedings pending settlement discussions, Registrant was hopeful that a resolution could be achieved and participated fully and in good faith. Surely Petitioners participated in good faith as well and were not merely employing dilatory tactics in the hope of reaching a procedural resolution to this matter. Even though an agreement has not been reached to date, Registrant's belief and participation in settlement discussions and resultant delay in filing its Answer cannot reasonably be considered gross neglect.

Moreover, as evidenced by the extensive briefs filed in connection with Registrant's Motion to Dismiss the instant Petition to Cancel, Registrant has a meritorious defense. First, contrary to Petitioners' allegations, Registrant's mark was not generic at the time its registration issued. Indeed, Registrant submitted substantial evidence of distinctiveness during the prosecution of its application that resulted in Registration No. 1,328,866. The Patent and

Trademark Office recognized this distinctiveness and registered Registrant's mark on the Principal Register. This registration constitutes prima facie evidence that Registrant's mark is protectable and not generic. 15 U.S.C. §1057 ("A certificate of registration of a mark upon the principal register ... shall be prima facie evidence of the validity of the registered mark and of the registration of the mark..."). In fact, no other manufacturers of cigarette papers use the designation 1.25 in connection with their papers. Moreover, the registration is now incontestable, and the mark has developed even more secondary meaning since the time of its registration, having been used and extensively promoted for more than 29 years. Registrant's mark therefore continues to act as an identifier of source for Registrant's smokers' articles. In short, the mark is not now, nor was at the time of its registration, a generic size designation. Furthermore, in prior communications between the parties, Petitioners have expressly recognized Registrant's rights in its stylized 1.25 mark. They are therefore estopped from seeking cancellation at this point. As evidenced by these many reasons, Registrant has a meritorious defense.

Finally, Petitioners have not been substantially prejudiced by the delay in the filing of Registrant's Answer. They have not served any discovery requests or otherwise sought to initiate discovery. Accordingly, this matter remains at its inception, and Petitioners will not be prejudiced by the Board accepting Registrant's Answer.

B. This Case Should be Decided on the Merits, Not by Default Judgment.

Default judgments on the basis of a late-filed answer are disfavored. TPMB § 312.02-03 ("[T]he Board is very reluctant to enter a default judgment for failure to file a timely answer, and tends to resolve any doubt on the matter in favor of the defendant"). When exercising its discretion whether to enter such a judgment, "the Board must be mindful of the fact that it is the policy of the law to decide cases on their merits." Id.

Notwithstanding Petitioners' statements about what they "believe," Registrant has a meritorious defense to this action and will prove that its mark is not generic. Because sustaining a trademark owner's rights has a great impact on both the industry and the parties to this action, a full investigation and hearing on the matter best serves the interests of justice. While Registrant apologizes to the Board that it is necessary to resolve this instant motion, Registrant has a good cause and requests that this action be resolved on the merits. Accordingly, Registrant requests that its Answer be accepted by the Board and that Petitioners' motion be denied.

Respectfully submitted,

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Date: June 30, 2006

CERTIFICATE OF SERVICE

I, Hillary A. Mann, an attorney, state that I served a true and correct copy of the foregoing Response to Petitioner's Motion to Strike Answer and Request that the Board Accept Its Previously Filed Answer via U.S. Mail, postage pre-paid on the following counsel of record on June 30, 2006.

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