

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
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Cancellation No. 92062364

Anom Suheri,  
Anthony Marcotti,  
Raymond Wilcoxon, and  
D3 Holdings, LLC

v.

Raihana Heuer

**By the Board:**

Now before the Board is Respondent's motion (filed November 10, 2015) to dismiss the petition to cancel for failure to state a claim under Fed. R. Civ. P. 12(b)(6). Petitioners have filed a brief in opposition thereto.

Motion to Dismiss

A motion to dismiss for failure to state a claim is a test solely of the legal sufficiency of the complaint. To withstand a motion to dismiss for failure to state a claim in a Board cancellation proceeding, the plaintiff need only allege such facts as would, if proved, establish that (1) it has standing, and (2) a valid ground exists for cancelling the subject registration. *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 187 (CCPA 1982). Specifically, "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, 129 S. Ct. 1937, 1949-50 (2009), quoting *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). In particular, a plaintiff need only allege “enough factual matter ... to suggest that [a claim is plausible]” and “raise a right to relief above the speculative level.” *Totes-Isotoner Corp. v. U.S.*, 594 F.3d 1346 (Fed. Cir. 2010).

For purposes of determining Respondent’s motion, the petition must be examined in its entirety, construing the allegations therein liberally, as required by Fed. R. Civ. P. 8(e). All of Petitioners’ well-pleaded allegations must be accepted as true, and the claims must be construed in the light most favorable to Petitioners. See *Advanced Cardiovascular Sys. Inc. v. SciMed Life Sys. Inc.*, 988 F.2d 1157, 26 USPQ2d 1038 (Fed. Cir. 1993).

#### Procedural issues

To the extent the parties included with their briefs on the motion to dismiss matters outside the pleadings, such matters have been excluded from consideration. The Board notes that Respondent’s motion seeks dismissal under Fed. R. Civ. P. 12(b)(6), and therefore only the sufficiency of Petitioners’ claims as pleaded in the original petition is at issue, rather than any particular facts (e.g., facts further provided or explained in the brief in opposition) or the ultimate merits of Petitioners’ claims. See *Caymus Vineyards v. Caymus Medical Inc.*, 107 USPQ2d 1519, 1522 (TTAB 2013); see also *Compagnie Gervais Danone v. Precision Formulations LLC*, 89 USPQ2d 1251, 1256 (TTAB 2009) (“...if a motion to dismiss is

filed that references matters outside the pleadings, the Board may exclude from consideration the matters outside the pleadings and may consider the motion for whatever merits it may present as a motion to dismiss.”). Further, to the extent either party argued the merits of the claims, rather than the sufficiency of those claims, such arguments are inappropriate on a motion to dismiss for failure to state a claim under Fed. R. Civ. P. 12(b)(6), and those arguments have been given no consideration. *See Advanced Cardiovascular Sys. Inc. v. SciMed Life Sys. Inc.*, 26 USPQ2d 1038, 1041 (Fed. Cir. 1993).

### Standing

The starting point for a standing determination in a cancellation proceeding is Trademark Act Section 14, 15 U.S.C. § 1064, which provides that “[a] petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed . . . by any person who believes that he is or will be damaged . . . by the registration of a mark on the [P]rincipal [R]egister.” Section 14 thus establishes a broad doctrine of standing; by its terms, the statute requires only that a person have a belief that he would suffer some kind of damage if the mark is registered. As interpreted in binding precedent, a petitioner must have a “real interest” in the outcome of the proceeding, and a “reasonable basis” for its belief that it would suffer some kind of damage by the continued registration of the mark. *NSM Res. Corp. v. Microsoft Corp.*, 113 USPQ2d 1029, 1032 (TTAB 2014) (citing *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1025 (Fed. Cir. 1999) and *Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122, 1123, 174

USPQ 458, 459 (CCPA 1972)). There is no requirement that any actual damage be proven to establish standing. *See Blackhorse v. Pro Football Inc.*, 98 USPQ2d 1633, 1638 (TTAB 2011) (striking affirmative defense that petitioner will not be damaged; there is no requirement that actual damage be pleaded and proved in order to establish standing or prevail in opposition or cancellation proceeding).

Here, Petitioners base their pleading of standing on ownership and use of common law trademark rights in the terms KANDUI and KANDUI RESORT since at least as early as 2008. The petition alleges that Petitioners are among a group of “founders” of a surfing resort (para. 1) who have, since at least as early as 2008, continuously used the terms KANDUI and KANDUI RESORT in commerce in connection with the sale of clothing, souvenirs, a retail gift shop and photography and video services (para. 4), and that Respondent “broke off” from the original resort and opened a competing resort on the same island (para. 10) which is identified by a similar mark (para. 24). These allegations, when construed in the light most favorable to Petitioners, are sufficient to allege standing to cancel the subject KANDUI and KANDUI VILLAS registrations. *See Books on Tape, Inc. v. Booktape Corp.*, 836 F.2d 519, 5 USPQ2d 1301, 1302 (Fed. Cir. 1987) (competitor has standing to challenge registration); *Kistner Concrete Products, Inc. v. Contech Arch Technologies, Inc.*, 97 USPQ2d 1912, 1918 (TTAB 2011) (same); *Giersch v. Scripps Networks, Inc.*, 90 USPQ2d 1020, 1022 (TTAB 2009) (“Petitioner has established his common-law rights in the mark DESIGNED2SELL, and has thereby established his standing to bring this proceeding.”); *Syngenta Crop Prot. Inc. v. Bio-*

*Chek LLC*, 90 USPQ2d 1112, 1118 (TTAB 2009) (testimony that opposer uses its mark “is sufficient to support opposer’s allegations of a reasonable belief that it would be damaged ...” where opposer alleged likelihood of confusion). In view thereof, Respondent’s motion to dismiss is **denied** with respect to Petitioners’ standing.

Valid ground

The ESTTA cover sheet indicates that there are three grounds for cancellation. The Board will examine the petition for each ground.

1. *Priority and likelihood of confusion*

Section 2(d) serves as a basis for cancellation if there is a likelihood of confusion as to source. In order to properly state a claim of priority and likelihood of confusion, Petitioners must plead that (1) Respondent’s marks, used in connection with her goods and services, so resemble Petitioners’ marks as to be likely to cause confusion, mistake, or deception; and (2) Petitioners have either priority of use, or federal registrations of Petitioners’ pleaded marks whose underlying applications were filed early than the applications underlying Respondent’s registrations. *See* Fed. R. Civ. P. 8(a); *Giersch*, 90 USPQ2d at 1022-23.

Petitioners allege that began using the marks KANDUI and KANDUI RESORT for resort lodging services, dining and bar services, boat charter services, travel planning services, and related services (para. 4) marks “years before” Respondent either used her marks or applied for registration (para. 24), that Respondent “broke off” from the founders’ original resort and opened a “competing” resort (para. 10),

that the parties' marks resemble each other and are likely to cause confusion (para. 24), and that there has been actual confusion between the parties' KANDUI RESORT and KANDUI VILLAS marks (para. 17). This is sufficient to set forth a claim of priority and likelihood of confusion (which claim, of course, remains to be proven at trial). Specifically, as noted above, Petitioners have alleged that they used similar marks for similar goods and services, that their use pre-dates both the filing date of the underlying applications which matured into the subject registrations and the actual date of first use by Respondent of the subject marks, and that Respondent's marks are likely to cause (and have actually caused) confusion with Petitioners. In view thereof, Respondent's motion to dismiss is **denied** with respect to the ground of priority and likelihood of confusion under § 2(d).

## 2. *Ownership*

Section 1(a)(1) of the Trademark Act, 15 U.S.C. § 1051(a)(1), provides as follows:

The owner of a trademark used in commerce may request registration of its trademark on the principal register by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement ...

Accordingly, only the owner of the mark may file an application. *In re Wella A.G.*, 787 F.2d 1549, 229 USPQ 274 (Fed. Cir. 1986) (C.J. Nies concurring) ("Under section 1 of the Lanham Act, only the owner of a mark is entitled to apply for registration."); *Holiday Inn v. Holiday Inns, Inc.*, 534 F.2d 312, 189 USPQ 630, 635 n.6 (CCPA 1976) ("One must be the owner of a mark before it can be registered."); *In re Deister Concentrator Co.*, 289 F.2d 496, 129 USPQ 314, 320 (CCPA 1961) ("Under section 1, only 'The owner of a trade-mark' can apply for registration.");

*Great Seats Ltd. v. Great Seats Inc.*, 84 USPQ2d 1235, 1239 (TTAB 2007). *See also Huang v. Tzu Wei Chen Food*, 849 F.2d 1458, 7 USPQ2d 1335, 1336 (Fed. Cir. 1988) (affirming Board's holding that an application was void *ab initio* because the applicant was not the owner of the mark on the filing date); *American Forests v. Sanders*, 54 USPQ2d 1860, 1864 (TTAB 1999) (intent-to-use application filed by individual void where the actual entity possessing the *bona fide* intention to use the mark was a partnership comprised of the individual and her husband); TBMP § 309.03(c)(7). Lack of ownership of a mark under § 1 is a well establish ground for cancellation.

In cases such as this where the parties have either a prior or current relationship, the question of whether the individual or the business entity is, in fact, the owner of the mark “must be determined on a case by case basis dependent on the particular facts adduced in each case.” *In re Briggs*, 229 USPQ 76, 77 (TTAB 1986) (citing *Monorail Car Wash Inc. v. McCoy*, 178 USPQ 434, 437-38 (TTAB 1973)). However, as noted above, all that is at issue at this stage of the cancellation proceeding is merely the sufficiency of the pleading. Petitioners allege that they and Respondent were among a group of founders of a resort (para. 1), Respondent “broke off” from the founders’ original resort (para. 10), Respondent filed applications underlying the subject registrations after breaking off from the original group (paras. 10-12), and that Respondent is not, and was not at the time she filed the underlying applications, the rightful owner of the KANDUI mark (para. 23). These allegations are sufficient to allege a ground for cancellation that Respondent is not

(and was not, at the time of the filing of her applications for registration) the rightful owner of the registered marks and, similarly, did not have the actual bona fide intent-to-use the mark.<sup>1</sup> In view thereof, Respondent's motion to dismiss is **denied** with respect to the ground of ownership and possession of an intent-to-use §§ 1(a) and (b).

### 3. *Fraud*

In order to properly assert a ground of fraud based on a claim that the declarations in the applications underlying the subject registrations were executed fraudulently, in that there was another use of the same or a confusingly similar mark at the time Respondent (then an applicant) signed the applications with the statutorily prescribed oath, Petitioners must allege particular facts which, if proven, would establish that: (1) there was in fact another use of the same or a confusingly similar mark at the time the each declaration was signed; (2) the other user (here, Petitioners) had legal rights superior to Respondent's; (3) Respondent knew that the other users had rights in the marks superior to Respondent's, and either believed that a likelihood of confusion would result from Respondent's use of the marks or had no reasonable basis for believing otherwise; and (4) Respondent, in failing to disclose these facts to the Office, intended to procure registrations to which she was not entitled. *See Intellimedia Sports Inc. v. Intellimedia Corp.*, 43 USPQ 1203 (TTAB 1997). The allegations must be alleged with particularity, rather than by implied expression, and must allege that Respondent knowingly made a false,

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<sup>1</sup> Subject Registration Nos. 4078032 and 4717526 were filed under § 1(b) intent-to-use, while Registration No. 4052051 was filed under § 1(a) use. *See American Forests*, 54 USPQ2d 1860 (discussing similarity between ownership and bona fide intent to use).

material representation in the applications underlying the subject registrations with the intent to deceive the Office. *In re Bose Corp.*, 580 F.3d 1240, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009); *Enbridge Inc. v. Excelerate Energy LP*, 92 USPQ2d 1537, 1540 (TTAB 2009); Fed. R. Civ. P. 9(b). While the allegations must be alleged with particularity, under the simplified notice pleading requirements of the Federal Rules of Civil Procedure, the allegations of the petition should be construed liberally “so as to do substantial justice.” *Scotch Whisky Assoc. v. United States Distilled Products Co.*, 952 F.2d 1317, 21 USPQ2d 1145, 1147 (Fed. Cir. 1991).

*Bose* did not overrule *Intellimedia*, as Petitioners suggest. See Brief in Opp., p. 14 (6 TTABVUE 15). Instead, these cases should be read with *Bose* (the later opinion) as the starting point and *Intellimedia* (an earlier opinion) providing guidance as to a specific theory of fraud (i.e., based on a declaration that no one else has the right to use a mark). See, e.g., *Qualcomm Inc. v. FLO Corp.*, 93 USPQ2d 1768, 1770 (TTAB 2010), citing first *Bose* then *Intellimedia*.

Even when construed liberally, the allegations in the petition fail to reach the level of particularity required for pleading fraud under Fed. R. Civ. P. 9(b). While the first and second factors can be made out due to inferences related to the prior allegations of priority and likelihood of confusion<sup>2</sup>, and the fourth factor is directly alleged in paragraph 22 (“Respondent made a false representation to the USPTO with the intent to deceive the USPTO.”), Petitioners do not allege with particularity the third factor that Respondent knew that Petitioners had rights in the marks

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<sup>2</sup> It is better practice to plead these factors specifically when laying out the elements of the fraud claim, and it is suggested that Petitioners do so if they chose to re-plead this ground.

superior to Respondent's, and either believed that a likelihood of confusion would result from Respondent's use of all of the marks – as opposed to only the KANDUI VILLAS mark – or had no reasonable basis for believing otherwise. Petitioners' reference that the Board and Respondent should “*see generally* [the] Petition” (brief, p. 14) to find this third element is not helpful in pointing to any particular allegation to support the third factor. Petitioners do not allege that priority between the parties had been previously established (e.g., by court decree or prior agreement of the parties, *see Intellimedia*, 43 USPQ2d at 1207), nor that Respondent either believed that a likelihood of confusion would result from Respondent's use of the KANDUI marks (in addition to the KANDUI VILLAS mark) or had no reasonable basis for believing otherwise.

In view thereof, Respondent's motion to dismiss is **granted** with respect to the ground of fraud, and the Board **strikes** paragraph 22 from the petition. Fed. R. Civ. P. 12(f)(1).

#### Petitioners May Replead

Inasmuch as the Board freely grants leave to amend pleadings if found, upon challenge under Fed. R. Civ. P. 12(b)(6), to be insufficient, *see* TBMP § 503.03 (2015), Petitioners are allowed until **March 15, 2016**, to file an amended petition that properly alleges a ground of fraud, if Petitioners have a reasonable basis for so pleading; failing which, this proceeding will continue under the original petition as stricken herein (i.e., under the grounds of priority and likelihood of confusion, and

ownership). Respondent is allowed until **March 31, 2016**, in which to file an answer to the amended petition, if an amended petition is filed.

### Civil Action Information

The prosecution histories for the subject registrations indicate that the subject registrations are in some way involved in a civil action. In view thereof, Respondent is allowed until **March 31, 2016**, to file with the Board information relating to the civil action which must indicate, at a minimum, the case name and number, all parties to the civil action, the court/venue, and current status of the action. If the civil action involves any of the petitioners involved in this cancellation proceeding, Respondent must also provide a copy of the operative pleadings (complaint and answer, without exhibits) from the civil action.

### Schedule

Proceedings are **resumed**. Dates are reset on the following schedule:

Amended Petition, if Filed	3/15/2016
Answer to Amended Petition	3/31/2016
Deadline for Discovery Conference	4/21/2016
Discovery Opens	4/21/2016
Initial Disclosures Due	5/21/2016
Expert Disclosures Due	9/18/2016
Discovery Closes	10/18/2016
Plaintiffs' Pretrial Disclosures	12/2/2016
Plaintiffs' 30-day Trial Period Ends	1/16/2017
Defendant's Pretrial Disclosures	1/31/2017
Defendant's 30-day Trial Period Ends	3/17/2017
Plaintiffs' Rebuttal Disclosures	4/1/2017
Plaintiffs' 15-day Rebuttal Period Ends	5/1/2017

In each instance, a copy of the transcript of testimony, together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125. Briefs shall be filed in accordance with Trademark Rules 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.129.