

**This Opinion is Not a  
Precedent of the TTAB**

Mailed: July 6, 2018

UNITED STATES PATENT AND TRADEMARK OFFICE

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Trademark Trial and Appeal Board  
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*Mombacho Cigars S.A.*  
*v.*  
*Tropical Tobacco, Inc.*  
—

Cancellation No. 92062543  
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Peter S. Sloane and Lauren Sobel of Leason Ellis LLP,  
for Mombacho Cigars S.A.

Stewart L. Gitler of Welsh Flaxman & Gitler LLC,  
for Tropical Tobacco, Inc.

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Before Ritchie, Lykos and Greenbaum,  
Administrative Trademark Judges.

Opinion by Greenbaum, Administrative Trademark Judge:

Mombacho Cigars S.A. (“Petitioner”) seeks to cancel Tropical Tobacco, Inc.’s (“Respondent”) registration on the Principal Register for the mark MOMBACHO in standard characters for “cigars” in International Class 34<sup>1</sup> on the ground of

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<sup>1</sup> Registration No. 4183397 was filed on January 10, 2012, under Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), claiming January 4, 2004 as the date of first use and first use in commerce. The registration issued on the Principal Register on July 31, 2012 with

abandonment. In its answer, Respondent denied the allegations set forth in the petition, and asserts affirmatively that it has not abandoned its mark. We dismiss the petition.

## I. Initial Issue

The petition for cancellation consists of two numbered paragraphs:

1. On information and belief, use of the mark MOMBACHO has been discontinued with intent not to resume use. Thus, the registrant, Tropical Tobacco, Inc., has abandoned its mark.
2. Petitioner Mombacho Cigars is being damaged by the continued registration of the mark at issue because it has a commercial interest in conducting business under its name in the U.S.<sup>2</sup>

To set forth a cause of action to cancel a registration which assertedly has been abandoned, a plaintiff must allege ultimate facts pertaining to the alleged abandonment that, if proved, would establish a prima facie case. *Otto Int'l, Inc. v. Otto Kern GMBH*, 83 USPQ2d 1861, 1863 (TTAB 2007). To provide fair notice to a defendant, such a pleading must allege at least three consecutive years of non-use, or alternatively, a period of nonuse less than three years coupled with proof of intent not to resume use. *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390, 1393-96 (Fed. Cir. 1990). See Trademark Act § 45, 15 U.S.C. § 1127. Petitioner's pleading does neither. Nonetheless, the parties presented evidence and

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a claim of acquired distinctiveness under Section 2(f) of the Trademark Act, 15 U.S.C. § 1052(f).

<sup>2</sup> 1 TTABVUE 2.

testimony regarding Respondent's use (or nonuse) of the mark for at least three consecutive years and argued the claim in their briefs. Accordingly, we consider the issue of abandonment to have been tried by the implied consent of the parties, and consider the pleadings amended to conform to the evidence. *See* Fed. R. Civ. P. 15(b)(2).

## II. Record<sup>3</sup>

The record consists of the pleadings and, without any action by the parties, the file of the involved registration.<sup>4</sup> Trademark Rule 2.122(b)(1), 37 C.F.R. § 2.122(b)(1). The record also comprises the evidence summarized below.

### A. Filed by Petitioner

The testimony declarations<sup>5</sup> of:

1. Paul Stone-Jansen, a private investigator, with his investigative report attached;<sup>6</sup>
2. Glynn Segars, an independent cigar sales broker and President of Big Country Cigars LLC;<sup>7</sup>

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<sup>3</sup> Effective June 24, 2016, the Board instituted a revised standard protective order for currently pending inter partes cases.

<sup>4</sup> Petitioner's submission under notice of reliance of excerpts from the file wrapper of the involved registration was therefore superfluous.

<sup>5</sup> Effective January 14, 2017, Trademark Rule 2.123(a)(1), 37 C.F.R. § 2.123(a)(1) was amended to allow parties to submit the testimony of witnesses in *inter partes* cases in the form of an affidavit or a declaration "pursuant to § 2.20 and in conformance with the Federal Rules of Evidence, filed during the proffering party's testimony period ... ."

<sup>6</sup> 16 TTABVUE.

<sup>7</sup> 17 TTABVUE.

3. Hasan Khalil, President of Cabana Cigars Inc. d/b/a Casa De Montecristo and Secretary of 8to8 Cigars d/b/a Sun Inc.;<sup>8</sup>
4. Cameron Heaps, Chairman and Co-Founder of Petitioner, with attached exhibits;<sup>9</sup> and
5. Katherine Lee, a paralegal of the law firm representing Petitioner, with attached exhibits, as rebuttal testimony.<sup>10</sup>

Notice of Reliance<sup>11</sup> on:

1. Respondent's Rule 26(a)(1) Initial Disclosures and excerpts from Respondent's Responses to Interrogatories and Requests for Admission;
2. Excerpts from the discovery depositions (with exhibits) of:
  - a. Respondent's Office Manager Josefa Vega;
  - b. Respondent's President Paul Palmer; and
  - c. Respondent's Receptionist/Office Administrator Maritza Vega;
3. Printouts from the Wayback Machine of Respondent's website from 2010-2015;
4. Printed materials, including printouts of articles from Halfwheel, an industry blog, regarding the IPCPR cigar trade show from 2012-2016, and about Respondent from 2016; and

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<sup>8</sup> 18 TTABVUE.

<sup>9</sup> 22 TTABVUE.

<sup>10</sup> 29 TTABVUE.

<sup>11</sup> 23 TTABVUE (redesignated nonconfidential per the June 13, 2017 Board order (28 TTABVUE)).

5. Excerpts from the file wrapper of Registrant's Supplemental Registration No. 2909321 of the mark MOMBACHO.

B. Filed by Respondent

1. Notice of Reliance on the testimony declaration of Paul Palmer, Respondent's President, with exhibits.<sup>12</sup>

III. Standing

Respondent has not challenged Petitioner's standing to bring this case. Nonetheless, standing is a threshold issue that must be proven by the plaintiff in every inter partes proceeding. Any person who believes it is or will be damaged by registration of a mark has standing to file a petition to cancel. Trademark Act § 14, 15 U.S.C. § 1064. To establish its standing, Petitioner must prove that it has a "real interest," i.e., a "reasonable" basis for its belief of damage. *See Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 753 F.3d 1270, 111 USPQ2d 1058, 1062 (Fed. Cir. 2014); *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1025 (Fed. Cir. 1999).

Because Petitioner has not pleaded and introduced a United States trademark registration, Petitioner must prove its standing through other evidence. In this case, Petitioner's Chairman and Co-Founder Cameron Heaps testified that "Prior to filing this cancellation action and since filing it, Mombacho has had its own staff on the

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<sup>12</sup> Respondent should have simply filed Mr. Palmer's Testimony Declaration under separate cover, rather than under Notice of Reliance, as the Notice of Reliance procedure is reserved for "official documents" and certain "printed publications." *Compare* Trademark Rule 2.125(a), 37 C.F.R. § 2.125(a) and Trademark Rule 2.122(e), 37 C.F.R. § 2.122(e). *See WeaponX Performance Prods. Ltd. v. Weapon X Motorsports, Inc.*, 126 USPQ2d 1034, 1037-38 & n.12 (TTAB 2018).

road in the U.S. introducing and selling the brand MOMBACHO to hundreds of retailers across the country.”<sup>13</sup> One such retailer, independent cigar sales broker Glynn Segars, testified that “I have been offering products from Mombacho Cigars to my customers since 2015.”<sup>14</sup> This testimony is sufficient to show that Petitioner is a competitor of Respondent and, as such, Petitioner has a real interest in this proceeding and a reasonable belief of damage. Petitioner therefore has standing. *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 220 USPQ 1017, 1020 (Fed. Cir. 1984) (finding sufficient the petitioner’s production and sale of merchandise bearing the registered mark).

#### IV. Abandonment

##### A. Statement of the Law

Section 45 of the Trademark Act, 15 U.S.C. § 1127, provides in pertinent part that a mark shall be deemed to be “abandoned”:

When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

There are two elements to a nonuse abandonment claim: nonuse of a mark and intent not to resume use. *Exec. Coach Builders, Inc. v. SPV Coach Co.*, 123 USPQ2d 1175, 1180 (TTAB 2017); *see also Jack Wolfskin Ausrüstung Fur Draussen GmbH & Co.*

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<sup>13</sup> 22 TTABVUE 4, ¶ 11.

<sup>14</sup> 17 TTABVUE 4, ¶ 10.

*KGAA v. New Millennium Sports, S.L.U.*, 797 F.3d 1363, 116 USPQ2d 1129, 1131 (Fed. Cir. 2015). Because registrations are presumed valid under Section 7 of the Trademark Act, 15 U.S.C. § 1057, the party seeking cancellation based on abandonment bears the burden of proving its case by a preponderance of evidence. See *On-Line Careline Inc. v. Am. Online Inc.*, 229 F.3d 1080, 56 USPQ2d 1471, 1476 (Fed. Cir. 2000); *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390, 1393 (Fed. Cir. 1990); *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 13 USPQ2d 1307, 1310 (Fed. Cir. 1989).

Introduction of evidence of nonuse of a mark for three consecutive years constitutes a prima facie showing of abandonment, and creates a rebuttable presumption that the registrant has abandoned the mark without intent to resume use. *Rivard v. Linville*, 133 F.3d 1446, 45 USPQ2d 1374, 1376 (Fed. Cir. 1998). The burden of production, i.e., going forward, then shifts to the respondent to produce evidence sufficient to show use of the mark during the relevant period, or an intent to resume use. *Id.* The burden of persuasion, however, always remains with the party asserting abandonment to prove it, by a preponderance of evidence. *Cerveceria Centroamericana*, 13 USPQ2d at 1309-12.

#### B. Petitioner's Arguments

Petitioner contends that "Respondent failed to make bona fide use of the MOMBACHO mark for not just three years, but rather for five years. As a result,

Petitioner is entitled to rely upon a presumption of abandonment.”<sup>15</sup> It is Petitioner’s position that Respondent made only “nominal use” of the MOMBACHO mark “between 2010 and 2015,” and that such “nominal use ... was made merely to reserve its rights in the mark MOMBACHO (i.e., to be kept as one its ‘dormant’ brands), which is expressly prohibited by the Lanham Act.”<sup>16</sup> Petitioner further contends that “Respondent has not presented any evidence of an intent to resume use during this period of abandonment and only began to attempt to use the mark MOMBACHO on a revamped product after the filing of this action.”<sup>17</sup>

Petitioner points to the testimony declarations of Cameron Heaps, Glynn Segars, and Hasan Khalil (President of Casa De Montecristo, “the largest cigar shop in the country”<sup>18</sup>), all of whom aver that they were unaware of Respondent selling or promoting cigars under the mark MOMBACHO.<sup>19</sup> Petitioner also points to the discovery depositions of Respondent’s witnesses concerning what Petitioner terms the “cessation of any marketing activities in support of the brand” after a “precipitous drop” in claimed sales “after 2010,” and what Petitioner characterizes as

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<sup>15</sup> 30 TTABVUE 14.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> Khalil Testimony Decl. ¶ 3, 18 TTABVUE 2.

<sup>19</sup> For example, Mr. Khalil testified that “Prior to learning about this trademark case, I had not heard of Tropical Tobacco offering or selling any cigars with the Mombacho name or mark. The only company I knew of that offered a cigar called Mombacho was Mombacho Cigars S.A.” “The first time I heard of Tropical Tobacco offering any cigars under the Mombacho name was in approximately June 2016 through an article on [www.halfwheel.com](http://www.halfwheel.com), which is a website about the cigar industry. I have not, however, seen any Tropical Tobacco cigars called Mombacho in the marketplace.” *Id.* at 4, ¶¶ 13-14.



Respondent's "practice of warehousing dormant marks."<sup>20</sup> According to Petitioner, the foregoing "calls into question the bona fides of [Respondent's] de minimus sales from 2010 through late 2015."<sup>21</sup> In addition, Petitioner questions the reliability of Respondent's documentary evidence of sales of MOMBACHO cigars because the figures in the invoices do not align with the sales figures Respondent provided in answer to Interrogatory No. 12.<sup>22</sup>

### C. Testimony and Evidence

In his discovery deposition, Respondent's President, Paul Palmer, repeatedly maintained that Respondent's sales of MOMBACHO cigars were continuous since the brand was introduced in 2004, although he acknowledged that sales declined after 2010. According to Mr. Palmer, MOMBACHO cigars have "been on the market since 2004. It's sold every year and the name Mombacho is a familiar name ... in the industry."<sup>23</sup> "Mombacho was always live. We sold Mombacho, but it's not that we had high sales volume on Mombacho."<sup>24</sup> Mr. Palmer explained that MOMBACHO "used to be an active brand. We used to sell a lot of it. Sales have dwindled. We've always sold Mombacho,"<sup>25</sup> and that MOMBACHO has been a "slower selling brand" but it

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<sup>20</sup> 32 TTABVUE 6-7.

<sup>21</sup> *Id.* at 7.

<sup>22</sup> 30 TTABVUE 19-21; 32 TTABVUE 6-7.

<sup>23</sup> 23 TTABVUE 185.

<sup>24</sup> *Id.* at 157.

<sup>25</sup> *Id.* at 136.

has been “sold every year.”<sup>26</sup> Likewise, in her discovery deposition, Josefa Vega testified that MOMBACHO cigars “have always been sold continuously.”<sup>27</sup> “Every year, we’ve had Mombacho sales, yes. We’ve always had Mombacho,”<sup>28</sup> but “[s]ome years, it moves more. Other years, it moves less.”<sup>29</sup> Mr. Palmer also testified that since around December 2015, Respondent has sold MOMBACHO cigars exclusively to Serious Cigars,<sup>30</sup> and “now that we’ve done an exclusive with Serious, we hope that product really picks up.”<sup>31</sup>

As for Respondent’s marketing efforts, Mr. Palmer testified that Respondent did not actively promote the brand since 2010,<sup>32</sup> and that the brand did not appear on Respondent’s website from 2010-2015 per Petitioner’s evidence from the Wayback Machine<sup>33</sup> “[b]ecause it was one of those brands that was selling, but it was not one of those brands that, you know, was a featured brand to the industry ....”<sup>34</sup> He also acknowledged that “Not all of our brands are on the website. Not all of our brands are in the catalogue when we make a catalogue,”<sup>35</sup> and that MOMBACHO was not a

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<sup>26</sup> *Id.* at 209.

<sup>27</sup> *Id.* at 58.

<sup>28</sup> *Id.* at 63.

<sup>29</sup> *Id.* at 64.

<sup>30</sup> *Id.* at 195-96.

<sup>31</sup> *Id.* at 209.

<sup>32</sup> *Id.* at 146-56.

<sup>33</sup> *Id.* at 379-484 (Exhibits PTX 15-19).

<sup>34</sup> *Id.* at 182.

<sup>35</sup> *Id.* at 205.

popular cigar brand as of 2014.<sup>36</sup> Nonetheless, he maintained that customers would know that Respondent was selling MOMBACHO cigars between 2010 and 2015 “Because we’re known for Mombacho. It’s our brand. We’ve been selling it for 12, 14 years.”<sup>37</sup>

In his Testimony Declaration, Mr. Palmer averred that “MOMBACHO cigars were first sold to consumers directly through retailers and the MOMBACHO cigars have been sold every year since 2004 (see Exhibit I). Exhibit I is a printout of actual invoices showing sales of MOMBACHO cigars to retailers in the United States every single year from 2004 to date.”<sup>38</sup> Said invoices, which comprise the entirety of Respondent’s documentary evidence of use of the mark MOMBACHO on cigars, show that Petitioner sold MOMBACHO cigars every year from 2005 to 2016.<sup>39</sup> For the relevant period beginning with the filing of Respondent’s use-based application in 2012, the invoices demonstrate sales of between two and four boxes of twenty cigars each year to Serious Cigars.

The invoices demonstrate a noticeable increase in sales to twenty-four boxes (to Serious Cigars) on December 10, 2015, seven weeks after Petitioner filed the petition to cancel, followed by three-hundred more boxes, again to Serious Cigars. Reiterating his deposition testimony, Mr. Palmer explained, “MOMBACHO cigars are presently

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<sup>36</sup> *Id.* at 202.

<sup>37</sup> *Id.* at 204.

<sup>38</sup> 26 TTABVUE 4, ¶ 6.

<sup>39</sup> The invoices include sales from Tabacalera Tropical and Casa Fernandez, which are other business names of Respondent. 23 TTABVUE 26 (Josefa Vega Discovery Deposition), 77 (Respondent’s Answer to Interrogatory No. 1), 129 (Paul Palmer Discovery Deposition).

being sold by Serious Cigars, LLC ... under an exclusive agreement to retail the product for Tropical.”<sup>40</sup> He also testified that “MOMBACHO cigars are sold in boxes which are clearly labeled with the trademark (see Exhibit II).”<sup>41</sup>

With regard to Respondent’s marketing efforts, Mr. Palmer confirmed his prior discovery deposition testimony as follows: “Tropical does not regularly advertise all of its brands (more than thirty different brands exist on its website or in magazines each and every year, but Tropical does continue to sell all of its brands. Some brands are more popular than others and sales vary each year for many reasons.”<sup>42</sup>

#### D. Analysis

Since the registration at issue originated from a use-based application, the three-year period of nonuse, proof of which would constitute a prima facie case of abandonment, is deemed to have commenced on January 10, 2012, with the filing of the application. *See ShutEmDown Sports, Inc. v. Lacy*, 102 USPQ2d 1036, 1042 (TTAB 2012). However, even if we were to consider Petitioner’s claim of abandonment to begin to run in 2010 (as both parties did), it would not affect our determination on the merits of this proceeding.

Based on the testimony and evidence of record, we find that there is no period of three consecutive years when Respondent sold no MOMBACHO cigars. While Respondent’s sales from 2010 to 2015 were admittedly slow and made virtually

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<sup>40</sup> 26 TTABVUE 4, ¶ 7. As noted above, Mr. Palmer testified in his discovery deposition that this exclusive arrangement began around December 2015.

<sup>41</sup> *Id.* at 4, ¶ 8

<sup>42</sup> *Id.* at 4, ¶ 12.

exclusively to one client (Serious Cigars),<sup>43</sup> nothing in the record supports a finding that such sales were not “bona fide use[s] of [the] mark[s] in the ordinary course of trade,” rather than “made merely to reserve a right in [the] mark[s].” 15 U.S.C. § 1127. In other words, contrary to Petitioner’s assertions, the record does not support a finding that Respondent’s MOMBACHO mark was dormant or part of a purported trademark warehousing program. On the other hand, such near exclusivity would explain why Petitioner’s witnesses were not aware that Respondent was selling MOMBACHO cigars.

As mentioned above, Petitioner challenges the reliability of Respondent’s sales data, pointing to differences between Respondent’s response to Interrogatory No. 12 concerning annual sales of MOMBACHO cigars from 2004 to 2016<sup>44</sup> and the sales figures on the above-discussed invoices. While Mr. Palmer did not address this discrepancy in his Testimony Declaration, the numerical differences are not significant enough for us to discount the invoices as documentary evidence of sales, particularly during the relevant years 2012-2015.<sup>45</sup>

Respondent’s sales revenue, while not substantial, is sufficient to demonstrate valid use of its mark MOMBACHO in commerce. Petitioner’s argument that Respondent’s use is merely unacceptable token use is not well-taken. *Person’s Co.*

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<sup>43</sup> As Josefa Vega explained, Serious Cigars is “like the number one fan of Mombacho.” 23 TTABVUE 49.

<sup>44</sup> *Id.* at 309.

<sup>45</sup> We also note Mr. Palmer explained in his discovery deposition that Respondent used to run promotional specials for its brands, including MOMBACHO, such as buy three cigars and get one free, or buy five boxes and get one free. *Id.* at 159-61, 164. Such promotional specials could account for some of the differences in figures in the years prior to 2012.

*Ltd. v. Christman*, 900 F.2d 1565, 14 USPQ2d 1477, 1481-82 (Fed. Cir. 1990) (“Although sales ... were intermittent and the inventory of the corporation remained small, such circumstances do not necessarily imply abandonment. There is also no rule of law that the owner of a trademark must reach a particular level of success, measured either by the size of the market or by its own level of sales, to avoid abandoning a mark.”).

In short, Petitioner has not successfully challenged the testimony of Respondent’s witnesses or the records of sales establishing use of Respondent’s mark MOMBACHO on cigars for any given year, let alone three consecutive years. Nor are we persuaded by Petitioner’s various arguments that Respondent’s use of its mark is not bona fide use in commerce. Petitioner therefore has failed to establish by a preponderance of the evidence that Respondent abandoned its mark.

**Decision:** The petition to cancel Respondent’s registration for MOMBACHO on the ground of abandonment is dismissed.