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TTAB

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GMM

June 25, 2021

Cancellation No. 92063654

*Smartling, Inc.*

*v.*

*Skawa Innovation Kft.*

**Before Greenbaum, Pologeorgis, and Johnson,  
Administrative Trademark Judges.**

**By the Board:**

This case comes up on Skawa Innovation Kft.'s ("Respondent") motion for summary judgment on its affirmative defenses that Smartling, Inc.'s ("Petitioner") claims are barred by the doctrines of res judicata and collateral estoppel, alternatively known as claim preclusion and issue preclusion, respectively.<sup>1</sup> The motion is fully briefed.

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<sup>1</sup> The motion was filed prior to the deadline for initial disclosures. *See* 29 TTABVUE 10. The motion is proper, however, because a summary judgment motion that asserts claim or issue preclusion may be filed before the movant has made its initial disclosures. *See* Trademark Rule 2.127(e)(1), 37 CFR § 2.127(e)(1).

## **I. Background**

Respondent owns Principal Register Registration No. 4766628 for the standard character mark EASYLING, for the following services in International Classes 35, 41, and 42:

Class 35: Direct marketing services; data processing services; price comparison services; systemization of information into computer databases; compilation of information into computer databases; marketing; on-line advertising on a computer network; outsourcing services business assistance; advertising and marketing; updating of advertising material; advertising; writing of publicity texts; word processing; telemarketing services

Class 41: Language interpreter services; dubbing; information technology training; computer education training; training services concerned with the use of computer software; computer based educational services in the field of language translation; translation services; provision of educational examinations and tests

Class 42: Hosting computer web sites; computer software design; duplication of computer programs; computer programming; computer software consultancy; rental of computer software; recovery of computer data; creating and maintaining web sites for others; monitoring of computer systems by remote access; data conversion of computer programs and data not physical conversion; maintenance of computer software; computer system design; digitization of documents by scanning; computer system analysis; information technology IT consulting services; software as a service (SAAS) services featuring non-downloadable software for language translation; web site design services; providing online support services for computer program users; product research and development; designing and implementing network webpages for others; design, creation, hosting and maintenance of websites for others; development of computer software; customization of computer software; constructing an internet platform for electronic commerce; website development for others; consultancy relating to product development; creation of computer programs for

data processing; application service provider (ASP) services, namely, hosting computer software applications of others; preparation of computer programs in respect of data processes; research relating to data processing; research and consultancy services relating to computer software; updating of websites, for others; hosting of digital content, namely online journals and blogs; consultancy in relation to computer software; leasing of computer software; creating electronically stored web pages for online services and the internet; installing web pages on the internet for others; updating of computer programs for third parties; creation, maintenance and adaptation of software; providing temporary use of on-line, non-downloadable software for use in publishing and printing; development of software solutions for internet providers and internet users; engineering services relating to information technology; designing websites for advertising purposes; technological consultation in the technology field of computers; creation of data-processing programs; rental of computer software and hardware; time sharing for computers; computer software engineering; computer code conversion for others; installation and customization of computer applications software; installing, updating and maintaining of computer software.

The registration issued on July 7, 2015, based on a “Madrid application” for a request for an extension of protection under the Madrid Protocol, based on International Registration No. 1230853, under Trademark Act Section 66(a), 15 U.S.C. § 1141(a).

In the amended petition to cancel, Petitioner seeks cancellation of the registration on the following grounds:<sup>2</sup>

- likelihood of confusion under Trademark Act Section 2(d), 15 U.S.C. § 1052(d);<sup>3</sup>

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<sup>2</sup> Petitioner’s operative pleading is the amended petition to cancel, filed on February 5, 2020 (26 TTABVUE 9–23), as construed and limited by the Board’s order granting in part and denying in part Petitioner’s motion for leave to amend its pleading. *See* 29 TTABVUE 9.

<sup>3</sup> Amended Petition ¶¶ 28–38 (26 TTABVUE 16–18).

- abandonment under Trademark Act Section 45, 15 U.S.C. § 1127;<sup>4</sup> and
- lack of bona fide intent to use the EASYLING mark in commerce pursuant to Trademark Act Section 1(b), 15 U.S.C. § 1051(b).<sup>5</sup>

The likelihood of confusion and lack of bona fide intent claims have been asserted against all of the services in the registration. The abandonment claim has been asserted against all of the services in Classes 35 and 41, and certain services in Class 42.<sup>6</sup>

In support of the likelihood of confusion claim, Petitioner has alleged prior use of the mark SMARTLING for:

translation services, business consulting services, the creation and distribution of educational and informational materials in the form of books, ebooks, newsletters, videos, audio recordings, website translations, website internationalization, website localization, downloadable software for use by translators and for purposes of localization and translation, software as a service for use in translation and localization, mobile/website/software localization services, multimedia services, content authoring and creation, interpretation, international SEO, call center operations, desktop publishing<sup>7</sup>

Respondent, in its answer, denied the salient allegations of likelihood of confusion, abandonment, and lack of bona fide intent to use. In its answer, Respondent also

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<sup>4</sup> Amended Petition ¶¶ 45–51 (26 TTABVUE 20–21).

<sup>5</sup> *Id.* ¶¶ 52–58 (26 TTABVUE 21–22).

<sup>6</sup> *Id.* ¶ 42 (26 TTABVUE 18–20). The services that are not subject to the abandonment claim are hosting computer web sites; creating and maintaining web sites for others; software as a service (SAAS) services featuring non-downloadable software for language translation; hosting and maintenance of websites for others; updating of websites, for others; designing websites for advertising purposes. *Id.*

<sup>7</sup> *Id.* ¶ 1 (26 TTABVUE 9–10).

asserted certain affirmative defenses, including the affirmative defenses of res judicata (claim preclusion) and collateral estoppel (issue preclusion) based on the final decision of the United States District Court for the District of Massachusetts in a civil action between the parties involving Respondent's mark and registration (the "Prior Proceeding").

## **II. The Pleadings**

Because the parties' respective claims and affirmative defenses are before us as a result of Respondent's motion for summary judgment, we exercise our discretion to review the parties' pleadings to determine their legal sufficiency. *See* Fed. R. Civ. P. 56(a); *Asian & W. Classics B.V. v. Selkow*, 92 USPQ2d 1478, 1480 (TTAB 2009).

### **A. The Amended Petition to Cancel**

Petitioner has sufficiently pleaded the claim of likelihood of confusion based on its allegations that Respondent's EASYLING mark for the identified services is likely to cause confusion with Petitioner's previously-used SMARTLING mark for the services specified in the amended petition to cancel. *See* Trademark Act Section 2(d); *Otto Roth & Co. v. Universal Foods Corp.*, 640 F.2d 1317, 209 USPQ 40, 43–45 (CCPA 1981); *Nike, Inc. v. Palm Beach Crossfit Inc.*, 116 USPQ2d 1025, 1030 (TTAB 2015).

Petitioner, by its allegations of priority and likelihood of confusion, also has pleaded facts, which, if proven, would be sufficient to establish its entitlement to maintain a statutory cause of action.<sup>8</sup> *See Threshold.TV, Inc. v. Metronome Enter., Inc.*, 96 USPQ2d 1031, 1036 (TTAB 2010).

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<sup>8</sup> Our decisions previously analyzed the requirements of Trademark Act Sections 13 and 14, 15 U.S.C. §§ 1063–64, under the rubric of "standing." We now refer to this inquiry as

The Board previously reviewed the grounds of abandonment and lack of bona fide intent to use the mark when considering Petitioner's motion for leave to file the amended petition to cancel, and determined that these grounds are sufficiently pleaded.<sup>9</sup> The Board further determined, however, that the proposed claim of nonuse was legally futile because the claim is not an available ground for cancellation of a registration that issued under Trademark Act Section 66(a), because an applicant seeking an extension of protection under Section 66(a) is not required to show use in commerce of its mark prior to registration.<sup>10</sup> The Board further stated that "[a]lthough the putative nonuse claim will be given no further consideration as an independent ground for cancellation, the Board will not strike the facts alleged in support of the nonuse claim because they may provide additional factual support for the abandonment and lack of bona fide intent claims."<sup>11</sup>

### **B. Respondent's Answer and Affirmative Defenses**

Respondent's answer is acceptable in that it fairly responds to the allegations in the amended petition to cancel.

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entitlement to a statutory cause of action. Despite the change in nomenclature, our prior decisions and those of the Federal Circuit interpreting Sections 13 and 14 remain equally applicable.

Once a plaintiff has established its entitlement to a statutory cause of action for one ground, it is entitled to assert any other available statutory grounds. *Poly-America, L.P. v. Illinois Tool Works, Inc.*, 124 USPQ2d 1508, 1512 (TTAB 2017); *Corporacion Habanos SA v. Rodriquez*, 99 USPQ2d 1873, 1877 (TTAB 2011).

<sup>9</sup> See 29 TTABVUE 6–7.

<sup>10</sup> *Id.* at 7 (citing Trademark Act Section 68(a)(3), 15 U.S.C. § 1141(h)(a)(3) and *Dragon Bleu (SARL) v. VENM, LLC*, 112 USPQ2d 1925, 1930 (TTAB 2014)).

<sup>11</sup> *Id.* at 9.

In its first and second affirmative defenses, Respondent has sufficiently pleaded the defenses of claim preclusion and issue precision.<sup>12</sup>

In its third and ninth affirmative defenses, Respondent asserts that Petitioner has failed to state a claim upon which relief can be granted,<sup>13</sup> and that Petitioner lacks standing to maintain the cancellation action.<sup>14</sup> Neither is an affirmative defense. *See Blackhorse v. Pro Football, Inc.*, 98 USPQ2d 1633, 1637 (TTAB 2011). Accordingly, these putative “affirmative defenses” are **stricken**. Fed. R. Civ. P 12(f).

In its fourth and sixth affirmative defenses, Respondent asserts that there is no likelihood of confusion because the parties’ marks are different and Petitioner’s mark is weak and entitled to little or no protection.<sup>15</sup> These are not affirmative defenses, but rather amplifications of Respondent’s denials of Petitioner’s allegations of likelihood of confusion. Nevertheless, we will allow these “defenses” to remain part of Respondent’s pleading because they provide Petitioner with further notice of how Respondent intends to defend the likelihood of confusion claim. *Order of Sons of Italy in Am. v. Profumi Fratelli Nostra AG*, 36 USPQ2d 1221, 1223 (TTAB 1995).

In its fifth affirmative defense, Respondent asserted that Petitioner’s claims are “barred by the equitable doctrines of laches, waiver, estoppel, and/or acquiescence, including in that Petitioner adopted its mark despite the use of ‘ling,’ the only

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<sup>12</sup> 31 TTABVUE 19 – 22.

<sup>13</sup> *Id.* at 23.

<sup>14</sup> *Id.* at 24. As explained above at page 5 n.7, we now refer to “standing” as “entitlement to a statutory cause of action.”

<sup>15</sup> *Id.* at 23.

common portion of the Easyling and Smartling marks, by multiple other users senior to Petitioner.”<sup>16</sup> The allegation that Petitioner adopted its SMARTLING mark despite the prior use of LING-formative marks by third parties is not a basis for the defenses of laches, waiver, estoppel, or acquiescence, because these defenses are personal defenses. *See, e.g., The Procter & Gamble Co. v. Keystone Auto. Warehouse, Inc.*, 191 USPQ 468 (TTAB 1976) (laches and estoppel are personal defenses which may not be asserted by a third party not in privity with the party that may have the right to assert the defense); *Plus Prods v. General Mills, Inc.*, 188 USPQ 520 (TTAB 1975) (laches and acquiescence are personal defenses). Each of these equitable defenses requires a defendant to plead and ultimately prove some action or inaction by the plaintiff which resulted in prejudice to the defendant. In the fifth affirmative defense, Respondent has not alleged facts to support any of the putative equitable defenses of laches, waiver, estoppel, or acquiescence. *See, e.g., Bridgestone/Firestone Research Inc. v. Auto. Club de l'Ouest de la France*, 245 F.3d 1359, 58 USPQ2d 1460, 1462 (Fed. Cir. 2001) (laches); *Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc.*, 971 F.2d 732, 23 USPQ2d 1701, 1703 (Fed. Cir. 1992) (laches and equitable estoppel); *Christian Broad. Network Inc. v. ABS-CBN Int'l*, 84 USPQ2d 1560, 1573 (TTAB 2007) (acquiescence). Accordingly, the fifth affirmative defense is **stricken**. Fed. R. Civ. P. 12(f). At the end of this order, we have afforded Respondent an opportunity to file an amended answer, in which it may attempt to plead these stricken defenses, to the extent they are warranted by the facts and law.

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<sup>16</sup> 31 TTABVUE 28.

Respondent's seventh and eighth affirmative defenses consist of bald assertions of the defenses of inequitable conduct, trademark misuse, unclean hands, and fraud.<sup>17</sup> Respondent has merely listed the putative defenses by name, without pleading the elements of the defenses or any factual allegations to place Petitioner on notice of the bases for the defenses. See TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 311.02(b) and authorities collected in n.15. Accordingly, Respondent's seventh and eighth affirmative defenses are **stricken**. Fed. R. Civ. P 12(f). At the end of this order, we have afforded Respondent an opportunity to file an amended answer, in which it may attempt to plead the stricken defenses of inequitable conduct, trademark misuse, unclean hands, and fraud, to the extent that facts exist to assert them.

In its tenth affirmative defense, Respondent asserts that Petitioner's claims should be denied in whole or in part because the identification of services in Respondent's involved Registration No. 4766628 can be modified or restricted pursuant to Trademark Act Section 18, 15 U.S.C § 1068, such that Respondent would be entitled to registration with such modification or restriction.<sup>18</sup> A request by defendant to restrict its identification of goods or services under Trademark Act Section 18 must be made by way of motion under Trademark Rule 2.133, 37 C.F.R § 2.133, although the ground also may be raised as an affirmative defense in the answer (as originally filed or as amended). See *Embarcadero Techs. Inc. v. RStudio*

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<sup>17</sup> 31 TTABVUE 23–24.

<sup>18</sup> 31 TTABVUE 24.

*Inc.*, 105 USPQ2d 1825, 1828 (TTAB 2013) (a defendant may assert an affirmative defense by moving to restrict its own goods and/or services in order to avoid any likelihood of confusion alleged by plaintiff); *ProQuest Information and Learning Co. v. Island*, 83 USPQ2d 1351, 1353–54 (TTAB 2007) (applicant had failed to state with precision how restriction of its own application would aid in avoidance of confusion); *see also* TBMP § 311.02(b)(1). When raised in the answer as an affirmative defense, the defense must set forth in detail the proposed restriction of its registration, allege that the restriction will avoid a likelihood of confusion, and allege that the plaintiff is not using the mark on the products or services being excluded from the registration. Respondent has not pleaded any of the elements of a proposed Section 18 defense, nor has it filed a motion to amend its registration.<sup>19</sup> Accordingly, the tenth affirmative defense is **stricken**. Fed. R. Civ. P. 12(f). At the end of this order, we have afforded Respondent an opportunity to file an amended answer, in which it may attempt to plead a Section 18 restriction, to the extent that facts exist to assert the defense.

Finally, Respondent has attempted to reserve the right to assert additional affirmative defenses that may become known to it through further investigation and discovery.<sup>20</sup> This is improper because the reservation of unidentified defenses

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<sup>19</sup> Because the Board typically does not review the answer at the pleadings stage, the defendant also should file a motion to amend its application or registration with the Board in order to bring the matter to the Board's attention for consideration. When the plaintiff does not consent to the proposed amendment, consideration of the motion to amend will be deferred until trial. *See* Trademark Act Section 7(e), 15 U.S.C. § 1057(e); Trademark Rule 2.133(a)–(b), 37 C.F.R. § 2.133(a)–(b); *The Brooklyn Brewery Corp. v. Brooklyn Brew Shop, LLC*, 2020 USPQ2d 10914, at \*4-5 (TTAB 2020) (applicant's timely motion to amend its application under Section 18 deferred until trial).

<sup>20</sup> 31 TTABVUE 24.

deprives Petitioner of fair notice of the basis of such potential defenses. Whether Respondent may, at some future point, amend its answer to include additional affirmative defenses is a matter to be raised by means of a motion for leave to amend under Fed. R. Civ. P. 15. Accordingly, this unnumbered paragraph in which Respondent reserves the right to assert additional affirmative defenses is **stricken**.

### **III. The Prior Proceeding**

The parties were in the same position in the Prior Proceeding before the United States District Court for the District of Massachusetts, styled *Smartling, Inc., v. Skawa Innovation Ltd.*, No. 14-cv-13106-ADB. Among the claims asserted by Petitioner as plaintiff in the Prior Proceeding was a federal claim of false designation of origin and unfair competition under Trademark Act Section 43(a), 15 U.S.C. § 1125(a), in which Petitioner alleged that Respondent's EASYLING mark infringed Petitioner's common law rights in the SMARTLING name and mark.<sup>21</sup> Among the relief sought by Petitioner in the Civil Action was cancellation of Respondent's Registration No. 4766628 pursuant to Trademark Act Section 37, 15 U.S.C. § 1119.<sup>22</sup> Following a trial, the jury found that Petitioner did not prove that Respondent had "engage[d] in unfair competition by infringing on [Petitioner's] trademark,"<sup>23</sup> and on June 27, 2019, the court entered judgment in favor of Respondent "on all counts."<sup>24</sup>

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<sup>21</sup> See Plaintiff's First Amended Complaint ¶¶ 34–39, 49–55 (32 TTABVUE 41–44).

<sup>22</sup> *Id.* ¶ D (32 TTABVUE 48).

<sup>23</sup> See 32 TTABVUE 52–53 ("Verdict Form").

<sup>24</sup> See 32 TTABVUE 55 ("Judgment in a Civil Case").

Petitioner did not appeal the court's judgment, and the judgment of the district court is final.

#### **IV. The Motion for Summary Judgment**

Summary judgment is an appropriate method of disposing of cases in which there is no genuine dispute as to any material fact, thus allowing the case to be resolved as a matter of law. See Fed. R. Civ. P. 56(a). The party moving for summary judgment has the initial burden of demonstrating that there is no genuine dispute of material fact remaining for trial and that it is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 332 (1986). All evidence must be viewed in a light favorable to the non-movant, in this case Petitioner, and all justifiable inferences are to be drawn in the non-movant's favor. *Lloyd's Food Prods., Inc. v. Eli's, Inc.*, 987 F.2d 766, 25 USPQ2d 2027, 2029 (Fed. Cir. 1993); *Opryland USA Inc. v. Great Am. Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471, 1472 (Fed. Cir. 1992). In deciding a summary judgment motion, the Board may not resolve disputes of material fact; it may only ascertain whether such disputes exist. *Lloyd's Food Prods.*, 25 USPQ2d at 2029; *Opryland USA*, 23 USPQ2d at 1472; *Olde Tyme Foods, Inc. v. Roundy's, Inc.*, 961 F.2d 200, 22 USPQ2d 1542, 1544 (Fed. Cir. 1992).

When a movant sufficiently demonstrates that there is no genuine dispute of material fact, and that it is entitled to judgment as a matter of law, the burden shifts to the non-movant to demonstrate the existence of specific genuinely disputed facts that must be resolved at trial. *Freki Corp. N.V. v. Pinnacle Entm't, Inc.*, 126 USPQ2d 1697, 1700 (TTAB 2018); *Enbridge, Inc. v. Excelerate Energy L.P.*, 92 USPQ2d 1537, 1540 (TTAB 2009). The non-movant may not rest on the mere allegations in its

pleadings and assertions of its counsel, but must designate specific portions of the record or produce additional evidence showing the existence of a genuine dispute as to a material fact for trial. *See* Fed. R. Civ. P. 56(c); *Celotex*, 477 U.S. at 324; *Freki*, 126 USPQ2d at 1700. A dispute as to a material fact is genuine only if a reasonable fact finder viewing the entire record could resolve the disputed matter in favor of the non-movant. *Opryland USA*, 23 USPQ2d at 1472; *Olde Tyme Foods*, 22 USPQ2d at 1544; *Venture Out Props. LLC v Wynn Resorts Holdings, LLC*, 81 USPQ2d 1887, 1890–91 (TTAB 2007).

### **A. Claim Preclusion**

Under the doctrine claim preclusion, the entry of a final judgment “on the merits” of a claim (i.e., cause of action) in a proceeding serves to preclude the relitigation of the same claim in a subsequent proceeding between the parties or their privies, even in those cases where the prior judgment was the result of a default or consent. *See Lawlor v. Nat’l Screen Serv. Corp.*, 349 U.S. 322 (1955); *Chromalloy Am. Corp. v. Kenneth Gordon, Ltd.*, 736 F.2d 694, 222 USPQ 187, 189-190 (Fed. Cir. 1984); *John W. Carson Found. v. Toilets.com*, 94 USPQ2d 1942, 1946 (TTAB 2010); *Flowers Indus., Inc. v. Interstate Brands Corp.*, 5 USPQ2d 1580, 1583 (TTAB 1987).

A second suit is barred by claim preclusion if

- (1) the parties (or their privies) are identical;
- (2) there has been an earlier final judgment on the merits of a claim; and
- (3) the second claim is based on the same set of transactional facts as the first.

*Jet, Inc. v. Sewage Am. Sys.*, 223 F.3d 1360, 55 USPQ2d 1854, 1856 (Fed. Cir. 2000).  
*See also Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 753 F.3d 1270, 111 USPQ2d

1058, 1065 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1401, 191 L. Ed. 360 (2015); *Sharp K.K. v. ThinkSharp, Inc.*, 448 F.3d 1368, 79 USPQ2d 1376, 1378 (Fed. Cir. 2006).

We may apply claim preclusion in a subsequent action based on the same claims that the parties raised, or could have raised, in the prior action. *Lucky Brand Dungarees, Inc. v. Marcel Fashions Group, Inc.*, \*\* US \*\*, 140 S. Ct. 1589, 1594–95 (2020) (citing *Brown v. Felsen*, 442 U.S. 127, 131 (1979) (claim preclusion “prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding”)); *Int’l Nutrition Co. v. Horphag Research Ltd.*, 220 F.3d 1325, 55 USPQ2d 1492, 1494 (Fed. Cir. 2000); *Chutter, Inc. v. Great Concepts, LLC*, 119 USPQ2d 1865, 1868 (TTAB 2016). Claim preclusion operates to bar subsequent assertion of the same transactional facts in the form of a different cause of action or theory of relief. Generally, this principle rests on the assumption the parties could have requested all the forms of relief in the first action. *Young Engineers Inc. v. U.S. Int’l Trade Commission*, 721 F.2d 1305, 219 USPQ 1142, 1151 (Fed. Cir. 1983); *see also Brown v. Felsen*, 442 U.S. 127, 131 (1979) (res judicata “prevents litigation of all grounds for, or defenses to, recovery that were previously available to the parties, regardless of whether they were asserted or determined in the prior proceeding”).

The Supreme Court in *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 485 n.26 (1982) stated that “so long as opposing parties had an adequate opportunity to litigate disputed issues of fact, res judicata is properly applied to decisions of an administrative agency acting in a ‘judicial capacity.’” The corollary is that when a

party did not have an opportunity to litigate disputed issues, a decision to permit such litigation is favored. *Sharp*, 79 USPQ2d at 1379.

As noted above, in this proceeding, Petitioner seeks to cancel Registration No. 4766628 for the mark EASYLING on the grounds of likelihood of confusion under Trademark Act Section 2(d), abandonment, and lack of bona fide intent to use the mark in commerce.

There is no genuine dispute that the parties in the two proceedings are the same and there has been a final judgment in the Prior Proceeding.<sup>25</sup> The crux of the claim preclusion defense is whether Petitioner bases its claims in this proceeding on the same transactional facts as those in the Prior Proceeding.

#### **1. Lack of Bona Fide Intent and Abandonment**

Respondent's Registration No. 4766628 issued almost four months before Petitioner filed its amended complaint in the Prior Proceeding.<sup>26</sup> At that time, the claims for cancellation of the registration on the grounds of abandonment of the EASYLING mark and lack of bona fide intent to use the mark in commerce were within the purview of the district court. *See* Trademark Act Section 37; *see also Ditri v. Coldwell Banker Residential Affiliates*, 954 F.2d 869, 873 (3d Cir.1992) (explaining that Section 37 gives federal courts concurrent authority with the USPTO to cancel a registered mark when the validity of the mark is challenged in a judicial proceeding); *Vital Pharms., Inc. v. Monster Energy Co.*, 472 F. Supp. 3d 1237, 1269

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<sup>25</sup> *See* 32 TTABVUE 33–48 (amended complaint in the Prior Action) and 32 TTABVUE 52–56 (verdict form and final judgment in the Prior Action).

<sup>26</sup> The amended complaint was filed on November 4, 2015. *See* 32 TTABVUE 33–50.

(S.D. Fla. 2020) (“The parties agree that the Lanham Act permits a district court to direct the cancellation of a trademark registration either when that registration has been determined to be invalid or when the mark has been abandoned.”) (internal quotation marks omitted); *Lawn Managers, Inc. v. Progressive Lawn Managers, Inc.*, 390 F. Supp. 3d 975, 982 (E.D. Mo. 2018) (considering counterclaim for trademark cancellation under Section 37 on the ground of abandonment through naked licensing); *Marketquest Grp., Inc. v. BIC Corp.*, 316 F. Supp. 3d 1234 (S.D. Cal. 2018) (“A court may cancel a registration under Section 1119 of the Lanham Act as void ab initio ... based on the notion that the application for the registration of the mark did not comply with the statutory requirements to register a mark.”); *Bobosky v. Adidas AG*, 843 F. Supp. 2d 1134, 105 USPQ2d 1938 (D. Or. 2011) (“Lack of bona fide intent to support an intent-to-use application also may render an application void ab initio upon challenge in federal district court.”) (citing *Caesars World, Inc. v. Milanian*, 247 F. Supp. 2d 1171, 1192–93 (D. Nev. 2003) (“intent to use applications for COLOSSEUM and EMPIRE were not made with a bona fide intent to use and are void.”)).

Additionally, as discussed below, both claims were available to Petitioner and could have been pleaded and litigated when it filed its amended complaint.

**a) Lack of Bona Fide Intent**

Petitioner’s claim that Respondent’s registration is void due to Respondent’s lack of bona fide intent to use the mark in commerce when the underlying request for an extension of protection was filed could have been pleaded and potentially litigated in

the Prior Proceeding. *See* 15 U.S.C. § 1141f(a); Trademark Act Sections 45 and 60(5), 15 U.S.C. §§ 1127 and 1141(5); Trademark Rules 2.33(e)(1) and 2.34(a)(5), 37 C.F.R. §§ 2.33(e)(1) and 2.34(a)(5); *Société des Societe des Produits Nestle S.A. v. Candido Vinuales Taboada*, 2020 USPQ2d 108932020 \*2–3 (TTAB 2020). The claim of lack of bona fide intent is based on Respondent’s intent at the time the application was filed, and thus the subsequent passing of time has no bearing on whether Respondent had a bona fide intent to use the EASYLING in connection with the identified services when it filed the request for extension of protection on August 15, 2014. Accordingly, there is no genuine dispute that Petitioner could have raised the claim of lack of bona fide intent to use the mark in the Prior Proceeding, and that the claim of lack of bona fide intent in this proceeding is based on the same transactional facts that were available in the Prior Proceeding. Respondent’s motion for summary judgment on the defense of claim preclusion therefore is **granted** as to the lack of bona fide intent claim.

**b) Abandonment**

The claim of abandonment as a result of nonuse with an intent not to resume use also could have been asserted by Petitioner in its amended complaint in the Prior Proceeding. *See Dragon Bleu (SARL) v. VENM, LLC*, 112 USPQ2d 1925, 1931 (TTAB 2014) (for purposes of abandonment, the relevant period nonuse begins to run from the date of issuance of a Section 66(a) registration); *see also Dialogo, LLC v. Bauza*, 467 F. Supp. 2d 115 (D. Mass 2006) (“The Lanham Act provides that ‘[i]ntent not to resume may be inferred from circumstances,’ and it creates a rebuttable presumption

of such an intent in cases where three consecutive years of nonuse can be shown.”) (citing 15 U.S.C. § 1127).

A mark is abandoned “[w]hen its use has been discontinued with intent not to resume such use.” Trademark Act Section 45. Although nonuse of a mark for three consecutive years creates a rebuttal presumption of intent not to resume use, three years of nonuse is not a required element of an abandonment claim. *Id.*; see also *Kusek v. Family Circle, Inc.*, 894 F. Supp. 522 (D. Mass. 1995) (abandonment predicated on nonuse can be based on either discontinuance of use or non-use, coupled with intent not to resume use); see also *Double Coin Holdings Ltd. v. Tru Dev.*, 2019 USPQ2d 377409 \*15 (TTAB 2019) (where counterclaim plaintiff did not prove that defendant ceased use of its mark for 3 consecutive years, plaintiff was required to prove that defendant discontinued use of its mark with the intent not to resume); *Dragon Bleu (SARL)*, 112 USPQ2d at 1931–32 (where Section 66(a) registrations were less than three years, the abandonment counterclaim was insufficient in the absence of an allegation of intent not to commence use of the registered marks); *Saddlesprings, Inc. v. Mad Croc Brands, Inc.*, 104 USPQ2d 1948, 1952 (TTAB 2012) (“Section 66(a) registrations which have never been used, or for which use has been discontinued with no intent to resume use, may be subject to cancellation for abandonment.”).

Accordingly, an abandonment claim can be based on the allegation that the subject mark was never used, “so long as the period during which the mark was never used is alleged to be at least three years, **or** alleged to be less than three years but is accompanied by the necessary lack of intent to resume (or commence) use.” *Wirecard*

*AG v. Striatum Ventures B.V.*, 2020 USPQ2d 10086 at \*3–4 (TTAB 2020) (emphasis added); *see also Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390, 1395 (Fed. Cir. 1990) (finding abandonment of mark based on nonuse – Board’s reference to an “intent to begin use” or “intent to use” was “an appropriate adaptation of the statutory language in the situation of a never-used mark”).

In the amended petition to cancel in this proceeding, Petitioner alleges, inter alia, that Respondent “never intended to perform any of the services listed in its application in commerce”;<sup>27</sup> “either terminated use **or has never used** [the EASYLING] Mark in connection with the goods and services of Classes 016 and 041, or the Stated Class 42 Services, in the United States;<sup>28</sup> and is not currently using the mark EASYLING mark in commerce.<sup>29</sup>

Petitioner’s allegations that Respondent never intended to perform any of the services listed in its Madrid application and never used the mark in commerce (either before or after the mark registered) are facts upon which Petitioner could have pleaded and litigated an abandonment claim in the Prior Proceeding.<sup>30</sup>

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<sup>27</sup> Amended Petition ¶ 15, 53–56 (26 TTABVUE 14, 21–22).

<sup>28</sup> Amended Petition ¶ 19, 40–42 (26 TTABVUE 15, 40–41). We presume that the reference to “Class 16” in Paragraph 19 was a clerical error, and that Petitioner intended to refer to Class 35. Additionally, the “Stated Class 42 Services” refers to those services that are subject to the abandonment claim *See, supra*, p.4, n.6.

<sup>29</sup> Amended Petition ¶ 43 (26 TTABVUE 41).

<sup>30</sup> In this regard, it is not material that Petitioner also alleges that “there is no evidence that at any point **since at least September 23, 2016** of use by [Respondent] of the EASYLING mark in United States commerce in connection with any of the services listed in Class 35 or Class 41, or in connection with any of the Stated Class 42 Services, where such services are performed for third parties.” *See* Amended Petition ¶ 48 (26 TTABVUE 20) (emphasis added). These allegations are subsumed in the larger allegations that Respondent never used the mark in commerce for the Class 16 and 41 services and the Stated Class 42 services.

Additionally, although three consecutive years of nonuse is not an element of an abandonment claim, but rather an evidentiary presumption that can establish the element of intent not to resume use, if Petitioner wished to rely on the presumption as further factual support for an allegation of intent not to resume it could have amended its complaint in the Prior Proceeding. Respondent's registration issued on July 7, 2015. More than three years later, on February 21, 2019, the district court issued a Pretrial Order in which the court, inter alia, allowed the parties until to May 17, 2019, to request amendment of their pleading.<sup>31</sup>

In sum, on November 4, 2015, when Petitioner filed its amended complaint to seek cancellation of Respondent's registration, it could have asserted an abandonment claim based on allegations that Respondent never used (or discontinued use) of the EASYLING mark with no intent to resume use. If Petitioner subsequently wished to rely on three consecutive years of nonuse as prima facie evidence of Respondent's intent not resume use of the mark, it could have done so at any time after July 7, 2018 (when the registration was three years old) and before May 17, 2019 (the court's pretrial deadline for amendment of pleadings).

In view of these facts, there is no genuine dispute that Petitioner could have asserted the abandonment claim in the Prior Proceeding, based on the same transactional facts underpinning the abandonment claim before the Board. Accordingly, Respondent's motion for summary judgment on the defense of claim preclusion is **granted** as to the abandonment claim.

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<sup>31</sup> 32 TTABVUE 72, ¶ 7.

## 2. Likelihood of Confusion

The trademark infringement claim decided by the court involves different transactional facts than the likelihood of confusion claim or the issue of registrability before the Board in a cancellation proceeding. Therefore, claim preclusion is inapplicable here. *Jet*, 255 USPQ2d at 1857 (“Th[e] array of differences in transactional facts conclusively demonstrates that claim preclusion cannot serve to bar a petition for cancellation based upon an earlier infringement proceeding.”); *see also Empresa Cubana*, 111 USPQ2d at 1065. Accordingly, Respondent’s motion for summary judgment on the defense of claim preclusion is **denied** as to the Section 2(d) claim.<sup>32</sup>

### B. Issue Preclusion

The doctrine of issue preclusion applies when “a matter has been litigated and decided.” *Migra v. Warren City Sch. Dist. Bd. Of Educ.*, 465 U.S. 75, 77, n.1 (1984); *see also B & B Hardware*, 113 USPQ2d at 2051. Under the doctrine of issue preclusion, once an issue is actually and necessarily determined by a court of competent jurisdiction, that determination is normally conclusive in a subsequent suit. *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 220 USPQ 1017, 1019 (Fed. Cir. 1984). The underlying rationale is that a party who has litigated

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<sup>32</sup> The Supreme Court’s decision in *B&B Hardware* does not dictate a different result because that case involved the application of issue preclusion, not claim preclusion. *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 113 USPQ2d 2045, 2048 (2015) (“This case concerns the application of issue preclusion in the context of trademark law.”). *Cf. Jet*, USPQ2d 255 at 1857 (although the overall transactional facts were too distinct to allow claim preclusion from an infringement action to bear on a subsequent Board cancellation proceeding, “the particular facts of certain cases may allow for the use of issue preclusion to bar relitigation of the “likelihood of confusion” question”).

an issue and lost should be bound by that decision and cannot demand that the issue be decided again. *Mother's Rest, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394, 397 (Fed. Cir. 1983). In order for issue preclusion to apply as a defensive bar to subsequent litigation, the following four requirements must be met:

(1) the issue to be determined must be identical to the issue involved in the prior litigation;

(2) the issue must have been raised, litigated and actually adjudged in the prior action;

(3) the determination of the issue must have been necessary and essential to the resulting judgment; and

(4) the party precluded must have been fully represented in the prior action.

*See Mayer/Berkshire*, 76 USPQ2d at 1312–13 (citing *Montana v. U.S.*, 440 U.S. 147, 153-55 (1979)).<sup>33</sup>

In Board proceedings, likelihood of confusion under Section 2(d) is a question of law with underlying factual findings made pursuant to the factors set forth in *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973). *See, e.g., Stone Lion Capital Partners, L.P. v. Lion Capital LLP*, 746 F.3d 1317, 110 USPQ2d 1157 (Fed. Cir. 2014).

In the Prior Proceeding, neither the jury verdict nor the court's judgment explained the basis for finding no likelihood of confusion in the context of the Section

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<sup>33</sup> In this cancellation proceeding, issue preclusion would only apply to the Section 2(d) claim, because the claims of abandonment and lack of bona fide intent to use were not raised, litigated, or adjudged in the Prior Proceeding.

43(a) claim, and it is not apparent what specific facts were litigated and decided as necessary to entering judgment in Respondent's favor on the claim. Accordingly, Respondent, in its summary judgment motion on issue preclusion, has not established the first three elements necessary for application of issue preclusion. Respondent's motion for summary judgment on issue preclusion therefore is **denied**.

### **C. Summary Determination**

Respondent's motion for summary judgment on the doctrine of claim preclusion is **granted in part** as to claims of abandonment and lack of bona fide intent to use, and **denied in part** as to the likelihood of confusion claim. Judgment is entered in Respondent's favor on the claims of abandonment and lack of bona fide intent to use.

Respondent's motion for summary judgment on the doctrine of issue preclusion is **denied** in its entirety. This case will proceed to trial solely on the claim of likelihood of confusion under Section 2(d).

### **V. Leave to Replead**

We exercise our discretion to allow Respondent the opportunity to file an amended answer, in which it may attempt to adequately re-plead the stricken affirmative defenses of laches, waiver, estoppel, acquiescence, inequitable conduct, trademark misuse, unclean hands, fraud, and a Section 18 defense based on a proposed amendment and restriction of its registration. *See* TBMP § 503.03. Accordingly, if Respondent, pursuant to the parameters under Fed. R. Civ. P. 11, believes sufficient grounds exist to re-plead the stricken defenses, it is allowed until **July 26, 2021**, to file and serve an amended answer, failing which these affirmative defenses will remain stricken and receive no further consideration.

**VI. Case Schedule**

Proceedings are resumed on the schedule below.

Amended Answer (if filed) Due	7/26/2021
Deadline for Discovery Conference	8/25/2021
Discovery Opens	8/25/2021
Initial Disclosures Due	9/24/2021
Expert Disclosures Due	1/22/2022
Discovery Closes	2/21/2022
Plaintiff's Pretrial Disclosures Due	4/7/2022
Plaintiff's 30-day Trial Period Ends	5/22/2022
Defendant's Pretrial Disclosures Due	6/6/2022
Defendant's 30-day Trial Period Ends	7/21/2022
Plaintiff's Rebuttal Disclosures Due	8/5/2022
Plaintiff's 15-day Rebuttal Period Ends	9/4/2022
Plaintiff's Opening Brief Due	11/3/2022
Defendant's Brief Due	12/3/2022
Plaintiff's Reply Brief Due	12/18/2022
Request for Oral Hearing (optional) Due	12/28/2022

The Federal Rules of Evidence generally 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. 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). 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).