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TTAB

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
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Hayes/Baxley

July 30, 2020

Cancellation No. 92065883 (Parent Case)

*Joseph Valenti, NERO International Holding
Co., Inc., and NERO Live Adventure Games,
LLC*

v.

William J. Bearden dba NERO Central

Cancellation No. 92065911

*Joseph Valenti,
NERO International Holding Co., Inc., and
NERO Live Adventure Games, LLC*

v.

NERO World, LLC

**Before Taylor, Larkin, and English,
Administrative Trademark Judges.**

By the Board:

These consolidated proceedings¹ now come before the Board for consideration of:
(1) the motion of Joseph Valenti, NERO International Holding Co., Inc., and NERO
Live Adventure Games, LLC (collectively, “Petitioners”) filed May 31, 2019 for

¹ Specific references to the record prior to consolidation will reference the entry in the parent proceeding followed by the entry in the child proceeding, as shown: ____ TTABVUE; ____ TTABVUE.

summary judgment on the pleaded claims of likelihood of confusion with their common law mark NERO² and fraud in both cases; (2) the motion of William J. Bearden dba NERO Central and NERO World, LLC (collectively, “Respondents”) filed December 3, 2019 to amend their answers in both cases to add an affirmative defense of fraud; and (3) Respondents’ amended cross-motion filed December 8, 2019 for summary judgment on Petitioners’ standing and likelihood of confusion and fraud claims in both cases.³ The motions are fully briefed.

I. Background

Respondent NERO World, LLC is the owner, by assignment, of Registration No. 4657988, on the Supplemental Register, for the standard character mark NERO for “Entertainment, namely, production of live-action role playing games and interactive theatre productions.”⁴ Respondent William J. Bearden dba NERO Central

² As set forth below, Petitioners also allege that Respondents’ registered marks are likely to cause confusion with their common law mark NERO LARP. 29 TTABVUE 81-86; 27 TTABVUE 81-86. Petitioners do not seek summary judgment as to the alleged likelihood of confusion with their mark NERO LARP.

³ In lieu of responding to Petitioners’ motion for summary judgment, Respondents initially filed a motion pursuant to Fed. R. Civ. P. 56(d) to conduct discovery. 47 TTABVUE. On November 4, 2019, the Board denied Respondents’ motion for Rule 56(d) discovery and allowed Respondents thirty days to file a response to Petitioners’ motion for summary judgment. 50 TTABVUE. On December 3, 2019, Respondents timely filed a response to Petitioners’ motion for summary judgment (53 TTABVUE), as well as a separate cross-motion for summary judgment (52 TTABVUE). When combined, the filings impermissibly exceeded 25 pages while addressing the same issues. 54 TTABVUE 2 (citing TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (“TMBP”) § 528.01 (June 2019)). Accordingly, on December 5, 2019, the Board allowed Respondents five days to submit a single combined brief of no more than 25 pages in opposition to Petitioners’ motion for summary judgment and in support of their cross-motion for summary judgment. *Id.*

⁴ Registration No. 4657988 issued on December 16, 2014, pursuant to Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), with a date of first use anywhere and in commerce of June 14, 2006, and assigned from William Joseph Bearden to NERO World, LLC on September 14, 2015.

("Bearden") is the owner of Registration No. 4697406, also on the Supplemental Register, for the standard character mark NERO NEW ENGLAND ROLEPLAYING ORGANIZATION also for "Entertainment, namely, production of live-action role playing games and interactive theatre productions."⁵ These registrations are collectively referred to as the "involved Registrations."

Petitioners⁶ seek to cancel Respondents' involved Registrations on grounds of: (1) likelihood of confusion under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d) with their prior common law marks NERO and NERO NEW ENGLAND ROLEPLAYING ORGANIZATION, used in connection with "Entertainment, namely, production of role-playing events featuring costumes, lifestyles, customs and language from times past, other than the era of the Roman Empire" (29 TTABVUE 77, ¶10; 27 TTABVUE 77, ¶10),⁷ and NERO LARP, used in connection with "providing a website featuring photographic, audio, video, and prose presentations for role-playing events featuring costumes, lifestyles, customs, and languages from times past, other than the era of the Roman Empire" (29 TTABVUE 77-78, ¶13; 27

⁵ Registration No. 4697406 issued on March 3, 2015, pursuant to Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), with a date of first use anywhere and in commerce of November 8, 2014. "NERO," misspelled "NEURO," and "ORGANIZATION" are disclaimed.

⁶ The original petitions to cancel were filed by Joseph Valenti ("Valenti"). 1 TTABVUE; 1 TTABVUE. After significant motion practice by both Petitioners and Respondents, Valenti was permitted to file amended petitions clarifying that he is the sole owner and operator of NERO International Holding Co., Inc. and NERO Live Adventure Games LLC, and joining the entities as additional Petitioners on the basis of their privity with him. 32 TTABVUE 2-4, 7-9; 30 TTABVUE 2-4, 7-9. The Board determined that the amended petitions sufficiently pleaded standing on behalf of each of the Petitioners. 32 TTABVUE 4-6; 30 TTABVUE 4-6.

⁷ Petitioners' identification of services with which the common law marks are used come from its pending Application No. 87865575 to register NERO, discussed below.

TTABVUE 77-78, ¶13) and (2) fraud.⁸ 29 TTABVUE 76-91; 27 TTABVUE 76-91. Petitioners also plead ownership by NERO International Holding Co. Inc. (“NIHC A”) of Application No. 87865575, filed on April 5, 2018, for registration of the mark NERO, in standard characters, for “Entertainment, namely, production of role-playing events featuring costumes, lifestyles, customs and language from times past, other than the era of the Roman Empire.”⁹ 29 TTABVUE 77 ¶10; 27 TTABVUE 77 ¶10.

In its answers to the operative amended petitions to cancel, Respondents admit to entering into a license agreement on April 1, 2006, allowing use of the NERO trademark, which agreement states that “NERO is the registered trademark of NERO International Holding Co., Inc., USPTO Trademark Registration Number 2,270,409.” 33 TTABVUE 4, ¶34-35; 31 TTABVUE 4, ¶34-35. Respondents otherwise deny the salient allegations in each amended petition and assert several affirmative

⁸ Although the amended petitions to cancel plead “priority of use” and “likelihood of confusion” as two separate claims (29 TTABVUE 81-86; 27 TTABVUE 81-86), they are not. They identify a single claim with two required elements. See *Hornblower & Weeks, Inc. v. Hornblower & Weeks, Inc.*, 60 USPQ2d 1733, 1735 (TTAB 2001). Additionally, the Board notes that while Petitioners’ claims are separately set out and captioned in numerical order, the amended petition in the parent case skips from Ground 2 to Ground 4. 29 TTABVUE 86. Finally, although the amended petitions reference “dilution,” neither petition sufficiently pleads a claim of dilution because the claim is not separately set out. See *O.C. Seacrets Inc. v. Hotelplan Italia S.p.A.*, 95 USPQ2d 1327, 1329 (TTAB 2010) (“claims must be separately stated We will not parse an asserted ground to see if any of the elements that go to pleading that ground would independently state a separate ground”). Additionally, there is no allegation of the required element of fame. See *Citigroup Inc. v. Capital City Bank Grp. Inc.*, 94 USPQ2d 1645, 1649 (TTAB 2010) (party must allege fame and show that the mark became famous before applicant’s use of challenged mark), *aff’d*, 637 F.3d 1344, 98 USPQ2d 1253 (Fed. Cir. 2011).

⁹ Application No. 87865575, filed on April 5, 2018, pursuant to Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), with a date of first use anywhere and in commerce of August 3, 1998.

defenses. On March 1, 2019, the Board consolidated these proceedings and struck all but three of Respondents' affirmative defenses.¹⁰ 41 TTABVUE; 39 TTABVUE.

II. Motion to Amend

Respondents seek to amend their answer and affirmative defenses to add a fourth affirmative defense, which the Board construes as a claim of unclean hands based on fraud.

Petitioners oppose the motion to amend, arguing that it was brought in bad faith because the Board dismissed Respondents' prior allegations of fraud; that the defense is futile because the alleged conduct does not negate Petitioners' common law rights; and that Respondents delayed in moving to amend.

The Board liberally grants leave to amend pleadings at any stage of the proceeding when justice requires, unless entry of the proposed amended pleading would be prejudicial to the rights of the adverse party or parties, would violate settled law, or would serve no useful purpose. Fed. R. Civ. P. 15(a). In deciding whether to grant leave to amend, the Board may consider undue delay, prejudice to the opposing party, bad faith or dilatory motive, futility of the amendment, and whether the party has previously amended its pleadings. *See Foman v. Davis*, 371 U.S. 178, 182 (1962) (cited in *Trek Bicycle Corp. v. StyleTrek Ltd.*, 64 USPQ2d 1540 (TTAB 2001)); *see also* TBMP § 507.02, and cases cited therein. The granting of a motion for leave to amend a

¹⁰ Respondents' fifth, sixth and eighth affirmative defenses alleging, respectively, that the trademark NERO LARP is generic, non-distinctive, ornamental, and/or merely descriptive; abandonment; and that Petitioners lack enforceable trademark rights, remain. 41 TTABVUE 2-9; 39 TTABVUE 2-9.

pleading is within the discretion of the Board and is allowed when justice so requires. *Trek Bicycle*, 64 USPQ2d at 1541.

As last reset on March 1, 2019, the parties' Initial Disclosures were due on April 30, 2019, and the discovery period was set to close on September 27, 2019. 41 TTABVUE 9. Petitioners filed their motion for summary judgment on May 31, 2019, one month after the Initial Disclosure deadline, thereby suspending action on these proceedings. Trademark Rule 2.127(d). Accordingly, the Board finds no undue delay by Respondents in filing their motion to amend. *See Metromedia Steakhouses Inc. v. Pondco II Inc.*, 28 USPQ2d 1205, 1206-07 (TTAB 1993). Moreover, Respondents do not claim any prejudice that would result from the amendment, and the Board finds none.

Petitioners' argument that Respondents' motion is brought in bad faith is not well taken. The Board dismissed Respondents' prior seventh affirmative defense alleging fraud on the basis that it lacked specificity and appeared to allege fraud by Petitioner NIHC A in filing its pending Application No. 87865575 to register the mark NERO, a claim over which the Board has no jurisdiction. 41 TTABVUE 8; 39 TTABVUE 8. Respondents' allegations in the proposed amended fourth affirmative defense are specific and unrelated to NIHC A's Application No. 87865575. Accordingly, the Board's dismissal of Respondents' prior affirmative defense of fraud has no bearing on the instant motion.

As to the merits, a defense of unclean hands must be supported by specific allegations of misconduct by plaintiff that, if proved, would prevent the plaintiff from

prevailing on its claim. *Midwest Plastic Fabricators Inc. v. Underwriters Labs. Inc.*, 5 USPQ2d 1067, 1069 (TTAB 1987). Additionally, a trademark defendant must show that the defense is related to a plaintiff's claim; that is, misconduct unrelated to the claim to which it is asserted as a defense does not constitute unclean hands. *See Tony Lama Co. v. Di Stefano*, 206 USPQ 176, 179 (TTAB 1980) (alleged customs violation found to have no bearing on petitioner's claims); *VIP Foods, Inc. v. V.I.P. Food Prods.*, 200 USPQ 105, 112-13 (TTAB 1978).

As set forth above, Petitioners assert claims of likelihood of confusion and Respondents' fraud on the United States Patent and Trademark Office (the "USPTO"). Respondents' proposed fourth affirmative defense alleges that Petitioners have unclean hands because they: (1) continued to hold themselves out to own a registered mark when they did not; (2) continued to conduct business on behalf of NIHC A after it was dissolved, including entering into license agreements for use of the mark NERO; (3) continued to hold out to the public that a second company, NERO International Holding Co. Inc., incorporated in 2005 ("NIHC B"), was NIHC A; and (4) conducted business through a non-existent entity, NERO Live Adventure Games, LLC ("NLAG"). *See* 51 TTABVUE 13-19, ¶4.

The Board construes Respondents' allegation that Petitioners fraudulently continued to hold themselves out to own a registered mark (*id.* at 14, ¶4-4(a)), as asserting unclean hands based on the intentional misuse of the federal registration symbol, which is a permissible defense. The intentional misuse of the federal registration symbol may relate to a party's lawful use of a mark. *Cf. Wells Fargo &*

Co. v. Lundeen & Assocs., 20 USPQ2d 1156, 1158 (TTAB 1991). The alleged deceptive misrepresentations as to the existence of NIHC A, NIHC B, and NLAG may have a bearing on the issue of Petitioners' priority of use. In view thereof, Respondents' motion for leave to amend their answers to assert a fourth affirmative defense of unclean hands is **GRANTED**.

The Board notes that Respondents submitted a proposed consolidated "Amended Answer and Defenses" purporting to respond to the allegations in both amended petitions to cancel. 51 TTABVUE 5-19. However, the allegations in the two amended petitions to cancel are not identical.¹¹ Additionally, pleadings in consolidated cases must be filed in each of the proceedings separately. *See* TBMP § 511. Accordingly, Respondents are allowed until **FIFTEEN DAYS** from the mailing date of this order to separately submit an "Amended Answer and Defenses" in each of the underlying proceedings.

III. Cross-Motions for Summary Judgment

We now consider the parties' cross-motions for summary judgment. In doing so, we presume the parties' familiarity with the pleadings, the issues raised in the respective motions, and the parties' arguments and evidence relating to the motions. In reaching our decision, we carefully considered all of the parties' arguments and supporting evidence, although we do not find it necessary to discuss all of them in

¹¹ For example, the amended petition in the child case includes additional allegations in paragraphs 40-45 that are different from those in the amended petition in the parent case. *See* 29 TTABVUE 80-81; 27 TTABVUE 80-81.

our opinion. *See, e.g., Guess? IP Holder L.P. v. Knowluxe LLC*, 116 USPQ2d 2018, 2020 (TTAB 2015).

A. Procedural Matters

In support of their motion, Petitioners submitted the declaration of Valenti, dated May 29, 2019 (the “Valenti Declaration”) (42 TTABVUE 281-284) with Exhibits A through N. *Id.* at 285-737; 43 TTABVUE 2-170; 44 TTABVUE 2-66; 45 TTABVUE 2-48. However, Petitioners omitted the first two pages of the Valenti Declaration from their filing. As a result, several of the exhibits submitted with the Valenti Declaration (Exhibits A through G [42 TTABVUE 285-463]) are not identified therein. Accordingly, we have considered only those documents in Exhibits A through G that are self-authenticating.¹²

Respondents submitted the deposition testimony of Valenti, taken on September 12, 2014, in connection with a civil court action in Harris County Texas, commenced by Valenti and NLAG against third-party Jason Aydelotte. 55 TTABVUE 32-89. Testimony from another proceeding may be admitted in an inter partes proceeding only pursuant to Trademark Rule 2.122(f), which provides that “[b]y order of the . . . Board, on motion, testimony taken in . . . a suit or action in a court, **between the same parties or those in privity** may be used in a proceeding, so far as relevant and material” 37 C.F.R. § 2.122(f); TMBP § 528.05(f). The Valenti deposition testimony was not submitted pursuant to a Board order, and the record does not

¹² Petitioners are reminded that it is their responsibility to ensure that their filings are complete.

establish that Respondents are in privity with Jason Aydelotte. Accordingly, we give no consideration to the Valenti deposition testimony.

B. Standard for Summary Judgment

Summary judgment is an appropriate method of disposing of cases in which there is no genuine dispute with respect to any material fact, thus allowing the case to be resolved as a matter of law. *See* Fed. R. Civ. P. 56(a). A party moving for summary judgment has the burden of demonstrating the absence of any genuine dispute as to a material fact, and that it is entitled to judgment as a matter of law. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986); *Sweats Fashions, Inc. v. Pannill Knitting Co. Inc.*, 833 F.2d 1560, 4 USPQ2d 1793, 1796 (Fed. Cir. 1987). The evidence of record must be viewed in the light most favorable to the non-moving party, and all justifiable inferences must be drawn from the undisputed facts in favor of the non-moving party. *See Lloyd's Food Prods. Inc. v. Eli's Inc.*, 987 F.2d 766, 25 USPQ2d 2027, 2029 (Fed. Cir. 1993); *Opryland USA v. Great Am. Music Show Inc.*, 970 F.2d 847, 23 USPQ2d 1471, 1472 (Fed. Cir. 1992). The Board may not resolve genuine disputes as to material facts; it may only ascertain whether such disputes exist. *See Hornblower & Weeks, Inc.*, 60 USPQ2d at 1735.

When cross-motions for summary judgment are presented, the Board evaluates each motion on its own merits and resolves all doubts and inferences against the party whose motion is being considered. *Mingus Constructors, Inc. v. United States*, 812 F.2d 1387, 1390-91 (Fed. Cir. 1987).

C. Analysis and Determination

1. Likelihood of Confusion

For Petitioners to prevail on their likelihood of confusion claim on summary judgment, they must establish the absence of a genuine dispute that: (1) they have standing; (2) they possess prior proprietary rights in their pleaded marks; and (3) the contemporaneous use of the parties' respective marks on or in connection with their respective services would be likely to cause confusion or mistake, or would deceive consumers. *See Hornblower & Weeks, Inc.*, 60 USPQ2d at 1735. The parties do not dispute that there is a likelihood of confusion between the marks in the involved Registrations and Petitioners' common law mark, NERO. Accordingly, the cross-motions will turn on the issues of standing and priority.

a. Standing

We first consider whether Petitioners have established their standing to bring these cancellation proceedings. Standing is a threshold issue that must be proved in every inter partes case. *See Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982). To establish standing on summary judgment, Petitioners must demonstrate, through competent evidence, the absence of a genuine dispute as to their real interest, i.e., a personal stake in the outcome of the proceeding, and a reasonable basis for their belief that they will be damaged. *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).

Petitioners argue that Valenti and his “related businesses,” NIHC A and NLAG, are the prior users of the mark NERO in connection with the production of role-playing events and that the parties’ contemporaneous use of the mark NERO is likely to cause consumer confusion. Petitioners further argue that NIHC A has standing as the owner of pending Application No. 87865575 to register NERO, which has been refused registration based on a likelihood of confusion with Respondents’ involved Registrations, and that Valenti has a real interest in these proceedings based on his ownership and control of NIHC A and NLAG, and use of the mark NERO.

Respondents argue that none of the Petitioners have standing because: NIHC A abandoned the NERO mark when it was dissolved; NLAG has never existed as an entity; Valenti is not the sole owner of NIHC A and thus lacks privity with NIHC A; and Valenti’s use of the mark NERO prior to 2015 was either as an officer of NIHC A or unlawful, and was thus unable to confer common law rights.

After carefully reviewing the parties’ arguments and evidence, we find the absence of a genuine dispute as to NIHC A’s standing based on the information submitted by Petitioners from the USPTO’s Trademark Status & Document Retrieval system (“TSDR”), showing the current status and title of Application No. 87865575 to register the mark NERO as being owned by NIHC A, and refused registration based on a likelihood of confusion with the marks in the involved Registrations. 42 TTABVUE 29, 62. *See Empresa Cubana Del Tabaco*, 111 USPQ2d at 1062 (pending application refused registration based on a likelihood of confusion with mark in respondent’s registration shows petitioner has a real interest in the proceeding, and has standing);

ShutEmDown Sports Inc. v. Lacy, 102 USPQ2d 1036, 1041 (TTAB 2012).¹³ Accordingly, Petitioners have demonstrated the absence of a genuine dispute as to NIHC A's standing.

As to NLAG, under Pennsylvania law applicable in 2011 when it was allegedly created, a limited liability company comes into being when its certificate of organization is filed in the Commonwealth's Department of State, "or at any later effective time specified in the certificate of organization." 15 Pa. Stat. and Cons. Stat. Ann. § 8914(b) (West 2016). Respondents met their prima facie burden of establishing the absence of a genuine dispute as to NLAG's lack of standing through their submission of documents showing that the Pennsylvania Department of State has no record of NLAG being formed as a limited liability company, and thus does not exist. 55 TTABVUE 28, ¶6, 90-92. Petitioners did not submit any evidence to the contrary. Accordingly, Respondents have demonstrated the absence of a genuine dispute as to NLAG's lack of standing.

As to Valenti, we find that neither Petitioners nor Respondents have carried their burden of establishing the absence of a genuine dispute as to his standing. Although Valenti states in his declarations that he is the sole owner of NIHC A, which he alone controls (60 TTABVUE 9, ¶¶1-2, 5), and describes his activities related to the mark NERO (42 TTABVUE 281, ¶¶13-18), Matthew Pearson ("Pearson") attests that he

¹³ Respondents' argument that the refusal of NIHC A's application based on a likelihood of confusion with Respondents' marks is insufficient to demonstrate NIHC A's standing because it would have been refused anyway, is not well taken. The existence of an additional refusal or requirement in an office action does not obviate the real interest a petitioner has in a proceeding brought to cancel a registration that was cited therein as a bar to obtaining its own registration.

owns 4% of the stock in NIHC A through an agreement with Valenti (the “Pearson Agreement”). 55 TTABVUE 124, ¶¶11-15, 127-131. This raises a genuine dispute as to Valenti’s sole ownership and control of NIHC A.¹⁴ Additionally, while the submitted evidence shows that as of 2015, Valenti, individually, was licensing use of the mark NERO to third parties (45 TTABVUE 35-46), the record is unclear as to whether NIHC A assigned or licensed its rights in the mark NERO to NIHC B or Valenti prior to its dissolution in 2002.¹⁵ In view of the foregoing, we find that at a minimum, disputes of fact exist as to: (1) whether rights to the mark NERO were assigned or licensed as between NIHC A, NIHC B and Valenti; (2) the validity and effect, if any, of the Pearson Agreement on Valenti’s ownership of NIHC A; and (3) the extent to which Valenti controlled the use of the mark NERO and the quality of the services offered thereunder. Accordingly, a genuine dispute of material fact exists as to Valenti’s standing to maintain these proceedings.

b. Priority

We next turn to the issue of Petitioners’ priority. To establish priority, Petitioners must demonstrate that, vis-à-vis Respondents, they own “a mark or trade name previously used in the United States . . . and not abandoned....” Trademark Act § 2(d)

¹⁴ Although entered into in 2008 while NIHC B was in existence, the Pearson Agreement does not specify the incorporation date of the named NIHC entity. 55 TTAVUE 127-131. In view of NIHC A’s revival and Pearson’s statement that the agreement was never terminated, a dispute exists as to Pearson’s involvement with and control over NIHC A, and whether he acquired an ownership interest therein.

¹⁵ The fact that an assignment by NIHC A of the mark NERO was not recorded with the USPTO prior to cancellation of NIHC A’s Registration No. 2270409 for the mark does not demonstrate that an assignment of the mark was not made.

15 U.S.C. § 1052(d). As a general rule, if a plaintiff is relying on an unregistered mark, to prevail on its claim of likelihood of confusion on summary judgment, the plaintiff must establish that there is no genuine dispute that it has proprietary rights in the term, whether inherently or through the acquisition of secondary meaning or through “whatever other type of use may have developed a trade identity.” *Otto Roth & Co., Inc. v. Universal Foods Corp.*, 640 F.2d 1317, 209 USPQ 40, 43 (CCPA 1981); *see also Herbko Int’l, Inc. v. Kappa Books, Inc.*, 308 F.3d 1156, 64 USPQ2d 1375, 1378 (Fed. Cir. 2002); *Towers v. Advent Software Inc.*, 913 F.2d 942, 16 USPQ2d 1039, 1042 (Fed. Cir. 1990). In cases where the previously used mark relied upon by a plaintiff in support of its priority of use and likelihood of confusion claim is merely descriptive, the plaintiff must establish priority of acquired distinctiveness, i.e., that its claimed mark acquired distinctiveness prior to any date on which defendant obtained rights in its mark. *Perma Ceram Enters. Inc. v. Preco Indus. Ltd.*, 23 USPQ2d 1134, 1138 (TTAB 1992); *see also Bass Pro Trademarks LLC v. Sportsman’s Warehouse Inc.*, 89 USPQ2d 1844, 1854 (TTAB 2008) (petitioner failed to prove that its mark acquired distinctiveness prior to the filing date of respondent’s underlying application).

In this case, not only is Petitioners’ NERO mark unregistered, Respondents’ marks are registered on the Supplemental Register, which is an implied admission that the marks were not distinctive, at least at the time of registration.. *See Perma Ceram Enters. Inc.*, 23 USPQ2d at 1137, n. 11 (mark registered on Supplemental Register constitutes an implied admission that the term is descriptive, at least at the time of registration). Where two parties vie for proprietary rights in merely

descriptive terminology, the case does not turn on who, chronologically, used the term first, but on “the priority of acquisition of acquired distinctiveness (also commonly referred to as secondary meaning).” *Id.* at 1136. Acquired distinctiveness is a question of fact, *see Hoover Co. v. Royal Appliance Mfg. Co.*, 238 F.3d 1357, 57 USPQ2d 1720, 1273 (Fed. Cir. 2001), but that does not preclude entry of summary judgment if it is shown that there is no genuine dispute as to that fact.

In support of their motion, Petitioners argue that the submitted evidence demonstrates that they have continuously used the mark NERO in connection with role-playing events since 1998, and that Bearden’s use of the NERO mark was as a licensee of NIHC A. Petitioners contend that Respondents did not, and cannot, demonstrate their use of the mark NERO, other than as a licensee of NIHC A, prior to Petitioners’ use.

Respondents counter that they have used the mark NERO since 2006, and that they are the prior users of the mark in connection with the production of role-playing games because NIHC A abandoned the mark by virtue of its dissolution in 2002, and “cannot rely on [its] reinstatement to extend” the three consecutive years of nonuse that results in *prima facie* abandonment. 61 TTABVUE 6. Respondents further argue that Petitioners cannot rely on their use of the mark NERO from after NIHC A’s dissolution through 2014 to establish their priority because that use was fraudulent. Respondents contend that Bearden’s use of the mark NERO in 2006 inured to their benefit, rather than to the licensor, because the license fraudulently misrepresented that NIHC B was NIHC A, and the owner of the NERO mark.

Based on our review of the parties' arguments and the evidence of record, we find that neither Petitioners nor Respondents have carried their burden of establishing the absence of a genuine dispute as to priority. In particular, even assuming Petitioners' mark NERO was inherently distinctive when NIHC A commenced use of the mark,¹⁶ a genuine dispute of material fact remains as to whether, thereafter, NIHC A abandoned use of the mark NERO prior to Respondents' acquiring trademark rights in their registered marks.

We find that NIHC A's dissolution alone fails to establish the absence of a genuine dispute as to Petitioners' abandonment of the mark NERO. After its dissolution in 2002 for failure to pay taxes, NIHC A, and thereafter NIHC B and Valenti continued

¹⁶ Based on the summary judgment record, it is unclear whether Petitioners' mark NERO was distinctive at the time they commenced use. Although NIHC A's former Registration No. 2270409 for NERO was issued on the Principal Register, the registration was cancelled on March 20, 2010. 42 TTABVUE 375. A cancelled registration is "only evidence that the registration issued and does not afford ... any legal presumptions under Trademark Act Section 7(b)," including the presumption that the registration was valid or that the registrant had or has the exclusive right to use the mark in commerce in connection with the goods and services specified in the registration certificate. *See In re Pedersen*, 109 USPQ2d 1185, 1197 (TTAB 2013) (citing *Anderson, Clayton & Co. v. Krier*, 478 F.2d 1246, 178 USPQ 46, 47 (CCPA 1973) (statutory benefits of a registration disappear when the registration is cancelled)); *Accord In re Piano Factory Group Inc.*, 85 USPQ2d 1522, 1527 (TTAB 2006) ("[T]he fact that the mark 'VOSE & SONS' was at one time registered on the Principal Register does not justify registration in light of the substantial evidence herein as to the primary significance of the term 'VOSE' as a surname."). Moreover, the registration file for Respondents' identical mark NERO, which is automatically of record (*see* TBMP § 528.05(a)(1)), shows that the mark was refused registration on the Principal Register on the basis that NERO is a type of roleplaying game and thus merely descriptive of a feature of Respondents' entertainment services. As set forth above, to establish priority, Petitioners bear the burden of demonstrating their use of the mark NERO as a distinctive source identifier prior to Respondents doing so. Neither Petitioners nor Respondents specifically addressed the distinctiveness of their respective NERO marks in their briefs. Petitioners' statement in their brief, that the mark is strong (42 TTABVUE 14-15), without citing to any evidence or explaining the basis for the statement, is insufficient to demonstrate the absence of a genuine dispute as to whether their mark NERO was distinctive (inherently or otherwise) at the time Petitioners commenced use of the mark.

use of the mark NERO in connection with live action role-playing games. *See, e.g.*, 44 TTABVUE 21-66; 45 TTABVUE 11-48. The parties do not dispute that NIHC A's dissolution was annulled in 2017. 55 TTABVUE 100. Under New York law, the annulment of a corporation's dissolution and its reinstatement restores "such corporate powers, rights, duties and obligations as it had on the date of the publication of the proclamation, with the same force and effect as if such proclamation had not been made or published." N.Y. Tax Law § 203-a(7) (McKinney). Neither party specifically addressed the issue of whether NIHC A's reinstatement validated the business agreements it entered into while dissolved, including the agreement it entered into with Bearden in 2006 (the "Bearden License Agreement" [43 TTABVUE 3-11]). We do not find *Matter of Lewis v. Schwartz*, 119 A.D.2d 116, 506 N.Y.S.2d 32 (1st Dept. 1986) or *Fan-Dorf Props. Inc. v. Classic Brownstones Unlimited, LLC* 149 A.D.3d 492, 52 N.Y.S.3d 313 (1st Dept. 2017), relied upon by Respondents, persuasive as to this issue because the decisions address the interpretation of Section 203-a of the New York Tax law in the very specific context in which it directly conflicts with a statute of limitations. The decisions do not address the statute's application in situations such as this, where a statute of limitations is not implicated.¹⁷ The period of "three consecutive years" of nonuse that creates a prima facie case of abandonment set forth in Section 45 of the Trademark Act is not a statute of limitations; it is a

¹⁷ *Propp v. Chaya Amusement Corp.*, 155 A.D.2d 251, 546 N.Y.S.2d 628 (1st Dept. 1989), for example, found that a corporation's reinstatement after dissolution for failure to pay taxes validated a lease renewal entered into while the entity was dissolved, indicating that where a statute of limitations is not implicated, transactions entered into by an entity while dissolved may be validated retroactively if the dissolution is annulled.

period from which a rebuttable statutory presumption of an intent not to resume use arises. Trademark Act § 45, 15 U.S.C. § 1127; *see also Lewis Silkin LLP v. Firebrand LLC*, 129 USPQ2d 1015, 1020 (TTAB 2018).¹⁸

Moreover, even assuming that the Bearden License Agreement was invalid, the only evidence Respondents submitted regarding their use of the mark NERO is Bearden's declaration, wherein he states that he has used the mark NERO in commerce since 2006. 55 TTABVUE 29, ¶13. Bearden does not specify in the declaration the nature, extent, or duration of the use, or the services in connection with which the mark has been used. Accordingly, this evidence is insufficient to demonstrate the absence of a genuine dispute as to whether Respondents have a propriety interest in the marks in the involved Registrations.¹⁹

In view of the foregoing, at a minimum, genuine disputes exist as to the validity of the Bearden License Agreement and whether NIHC A or Valenti acquired proprietary rights in the mark NERO that were not abandoned prior to Respondents

¹⁸ Although Respondents argue that NIHC B licensed the right to use the NERO mark to Bearden because NIHC A did not exist in 2006, the Bearden License Agreement specifically states that "Licensor is NERO International Holding Co. Inc., **incorporated in the State of New York in 1998.**" 43 TTABVUE 4 (emphasis added). NIHC B was incorporated in 2005. 55 TTABVUE 102.

¹⁹ Although Petitioners submitted printouts of pages from www.nerocentral.com, the website on which Bearden purportedly used the NERO mark (42 TTABVUE 239-277), this evidence is insufficient to demonstrate the absence of a genuine dispute as to whether and when Respondents acquired proprietary rights in the mark NERO because it merely displays the mark on the website; it does not demonstrate Respondents' actual use of the mark in connection with the provision of live action roleplaying games. *See* TBMP § 528.05(e); *WeaponX Performance Prods. Ltd. v. Weapon X Motorsports, Inc.*, 126 USPQ2d 1034, 1041-42 (TTAB 2018) (Internet evidence offered to show use of a mark is hearsay, and is insufficient to prove use without testimony from a competent witness); *Safer Inc. v. OMS Invs. Inc.*, 94 USPQ2d 1031, 1039 (TTAB 2010) (Internet evidence is only admissible for what it shows on its face, and is not proof of any facts asserted therein).

acquiring trademark rights in the marks in the involved Registrations. Accordingly, with the exception of NIHC A's standing and NLAG's lack of standing, discussed above, the parties' cross-motions for summary judgment on Petitioners' likelihood of confusion claim are **DENIED**.

2. Fraud

To prevail on a fraud claim on summary judgment, a plaintiff must establish the absence of a genuine dispute that an applicant or registrant knowingly made a false, material misrepresentation of fact in connection with its application or registration, with the subjective intent to deceive the USPTO to obtain a registration to which it is not entitled. *In re Bose Corp.*, 580 F.3d 1240, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986).) A party alleging fraud bears a heavy burden of proof. *In re Bose*, 91 USPQ2d at 1939. Indeed, "the very nature of the charge of fraud requires that it be proven 'to the hilt' with clear and convincing evidence." *Id.* (quoting *Smith Int'l, Inc. v. Olin Corp.*, 209 USPQ 1033, 1044 (TTAB 1981)).

Petitioners argue that as a former licensee, Bearden knew of their ownership and use of mark NERO, and knowingly made false representations to the USPTO as to his ownership and dates of use of the marks in the involved Registrations, and fabricated documents for use as specimens in the applications.

Respondents counter that because Petitioners fraudulently licensed the mark to Bearden by making misrepresentations as to the existence of the entity owning and licensing the mark NERO, Bearden's lawful use of the mark in 2006 and thereafter

inured to his benefit, rather than to the benefit of NIHC A. Bearden further states in his declaration that he believed everything he stated in the applications for the involved Registrations to be true. 55 TTABVUE 30, ¶16.

Upon careful consideration of the parties' arguments and evidence, and drawing all justifiable inferences with respect to each motion in favor of each nonmoving party, we find that neither Petitioners nor Respondents have established the absence of a genuine dispute of material fact with respect to Petitioners' claims of fraud. Based on the present record, we find that at a minimum, a genuine dispute of material fact exists as to Bearden's ownership of the marks NERO and NERO NEW ENGLAND ROLEPLAYING ORGANIZATION at the time the applications for their registration were filed, as well as to his subjective intent in filing the applications. Intent is particularly unsuited to disposition on summary judgment. *See Copelands' Enters. v. CNV, Inc.*, 945 F.2d 1563, 20 USPQ2d 1295, 1299 (Fed. Cir. 1991).

In view thereof, the parties' cross-motions for summary judgment on Petitioners' fraud claims are **DENIED**.

IV. Summary and Guidance

In sum, Respondents' motion to amend their answers and affirmative defenses is **GRANTED**. Respondents are given **FIFTEEN DAYS** from the date of this order to separately submit their Amended Answer and Defenses in each of the underlying proceedings.

Respondents' cross-motion for summary judgment is **GRANTED** as to NLAG's lack of standing. Because NLAG cannot prove the threshold requirement of standing,

the petitions for cancellation are **DISMISSED WITH PREJUDICE** as to NLAG only. Petitioners' motion for summary judgment is **GRANTED** as to Petitioner NIHC A's standing only. The cross-motions for summary judgment on Petitioners' likelihood of confusion and fraud claims are otherwise **DENIED**.

The fact that we have identified and discussed certain genuine disputes of material fact as sufficient bases for denying the respective motions should not be construed as a finding that these are necessarily the only disputes that remain for trial. In addition, the parties are reminded that evidence submitted in support of or in opposition to a motion for summary judgment is of record only for consideration of that motion. Any such evidence to be considered at final hearing must be properly introduced during the appropriate trial period. *Am. Express Mktg. & Dev. Corp. v. Gilad Dev. Corp.*, 94 USPQ2d 1294, 1301 n.5 (TTAB 2010); *Hard Rock Cafe Licensing Corp. v. Elsea*, 48 USPQ2d 1400 (TTAB 1998).

Moreover, in preparing submissions for trial, the parties should consider including the following issues among those they address: (1) the distinctiveness of the parties' respective marks; (2) the identification of the applicable state law governing the validity and effect of the Bearden License Agreement, and its substance; and (3) whether, under New York State law, NIHC A's revival in 2017 retroactively validated business agreements it entered into while dissolved, including the Bearden License Agreement. These issues are central to the determination of these proceedings and were not specifically addressed in the parties' summary judgment submissions.

In view of the fact that these proceedings are still in the early stage of discovery despite commencement over three years ago (due to protracted motion practice by both parties), and considering the fact-intensive nature of the claims and issues herein, the Board will not consider any further motions for summary judgment. Additionally, the parties are expected to work together in good faith to expeditiously move the case forward toward final resolution.

V. Schedule

Proceedings are resumed on the schedule set forth below.

Expert Disclosures Due	10/29/2020
Discovery Closes	11/28/2020
Plaintiffs' Pretrial Disclosures Due	1/12/2020
Plaintiffs' 30-day Trial Period Ends	2/26/2021
Defendants' Pretrial Disclosures Due	3/13/2021
Defendants' 30-day Trial Period Ends	4/27/2021
Plaintiffs' Rebuttal Disclosures Due	5/12/2021
Plaintiffs' 15-day Rebuttal Period Ends	6/11/2021
Plaintiffs' Opening Brief Due	8/10/2021
Defendants' Brief Due	9/9/2021
Plaintiffs' Reply Brief Due	9/24/2021
Request for Oral Hearing (optional) Due	10/4/2021

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).