

THIS ORDER IS NOT A  
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TTAB

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
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mbm

January 23, 2019

Cancellation No. 92068862

*Sam Hedaya Corporation*

*v.*

*World Mart USA Inc.*

**By the Trademark Trial and Appeal Board:**

Pursuant to the Board's July 2, 2018 institution order, Respondent's answer to the petition to cancel was due by August 11, 2018. Respondent did not file an answer to the petition to cancel by such date, nor did it file a timely motion to extend its time to answer. In view thereof, the Board issued a notice of default on August 29, 2018, requiring Respondent to show cause why judgment should not be entered against it. On September 14, 2018, Respondent filed a motion to set aside the notice of default, concurrently with an answer to the petition to cancel and a motion to dismiss the claim of fraud from the petition to cancel for failure to state a claim upon which relief can be granted pursuant to Fed. R. Civ. P. 12(b)(6).<sup>1</sup> The motion to set aside the notice of default is fully briefed.

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<sup>1</sup> As an initial matter, the Board notes that Respondent's motion to set aside default, motion to dismiss, and answer were all submitted together as one file. All motions should be filed separately to ensure they receive appropriate attention. TBMP § 502.02(b).

**I. Motion to Set Aside Notice of Default**

The Board turns first to the motion to set aside the notice of default. In support of its motion, Respondent maintains that although it received a copy of the petition to cancel, Respondent mistakenly believed that “there was no basis for Petitioner’s threats to cancel its registration” because Petitioner did not file an opposition during the thirty-day opposition period. 5 TTABVUE 3. Upon receipt of the notice of default, Respondent retained counsel, who then filed a motion to set aside the notice of default. *Id.*

In response, Petitioner contends that it had communicated with Respondent prior to filing the petition to cancel and even provided Respondent with a copy of the petition to cancel. 6 TTABVUE 4-5. Petitioner also maintains that it communicated with another attorney, who represented Respondent in other prosecution matters. *Id.* at 4. The attorney, however, clearly stated to Petitioner that he was not representing Respondent in this matter and that Petitioner “would need to deal directly with his client.” *Id.* at 3-4. It is Petitioner’s position that Respondent cannot plausibly maintain it failed to understand it was required to file an answer to the petition to cancel, but that Respondent willfully chose to disregard the petition to cancel. *Id.* at 6. Petitioner further contends that it has suffered prejudice because Respondent ignored Petitioner’s communications for months prior to Petitioner’s filing of the petition to cancel. *Id.* at 11. Finally, Petitioner contends that Respondent has not set forth a meritorious defense, because Respondent has not pleaded legally sufficient affirmative defenses in its answer. *Id.* at 11-12.

The standard for determining whether default judgment should be issued against a defendant for failure to timely file an answer is Fed. R. Civ. P. 55(c), which reads in pertinent part: “[t]he court may set aside an entry of default for good cause.” Good cause is generally found to have been established if the defendant’s delay was not the result of willful conduct or gross neglect, if the delay will not result in substantial prejudice to the plaintiff, and where the defendant has a meritorious defense. *Fred Hayman Beverly Hills, Inc. v. Jacques Bernier, Inc.*, 21 USPQ2d 1556, 1557 (TTAB 1991).

The Board does not find that Respondent’s delay in filing its answer was the result of willful conduct or gross neglect. Although Petitioner contends that Respondent should have known or been advised that it was required to file an answer to the petition to cancel, Respondent maintains that it believed no response was required. Respondent’s apparent belief that its registration could not be challenged beyond the thirty-day opposition period, although incorrect, was not willful. There is no evidence of bad faith or willful conduct. Although Petitioner contends that Respondent’s attorney should have advised Respondent that it was required to respond to the petition to cancel, Petitioner was clearly informed that the attorney Petitioner contacted did not represent Respondent with respect to this matter. In any event, contrary to Petitioner’s assertion, Respondent need not demonstrate excusable neglect, but rather only good cause. *See* Fed. R. Civ. P. 55(c). Moreover, the Board is very reluctant to enter default judgment for failure to file a timely answer and tends to resolve any doubt on the matter in favor of the defendant. TBMP § 312.04 (2018).

As to the question of prejudice, an answer was due on August 11, 2018, a notice of default issued on August 29, 2018, and Respondent filed its motion to set aside the notice of default and accept its late-filed answer and motion to dismiss on September 14, 2018, a delay of little more than one month. There is nothing in the record to suggest that Petitioner has been substantially prejudiced by the resultant delay. *See Regatta Sport, Ltd. v. Telux-Pioneer, Inc.*, 20 USPQ2d 1154, 1156 (TTAB 1991) (delay alone is not a sufficient basis for establishing prejudice). Petitioner argues that there has been a delay of almost an entire year, including the time Petitioner attempted to communicate with Respondent prior to filing the petition to cancel. The delay since the institution of the proceedings, however, was minimal and the time and expense Petitioner may have expended prior to bringing the instant proceeding is not a sufficient basis for establishing prejudice.

The Board also finds that Respondent has asserted a meritorious defense to the petition to cancel by filing an answer that denies the fundamental allegations in the petition to cancel. *See* TBMP § 312.02. Contrary to Petitioner's position, the showing of a meritorious defense in an inter partes proceeding does not require an evaluation of the merits of the case. All that is required is a plausible response to the allegations in the complaint, which Respondent has provided in its answer. *See DeLorme Publishing Co. v. Eartha's Inc.*, 60 USPQ2d 1222, 1224 (TTAB 2000).

Finally, it is well-established that a trial on the merits is favored over a default judgment. *See, e.g., Information Sys. And Networks Corp. v. U.S.*, 994 F.2d 792, 795 (Fed. Cir. 1993).

In view of the foregoing, Respondent's motion to set aside the notice of default is **granted**. The notice of default is hereby set aside.

## **II. Motion to Dismiss and Sufficiency of Petition to Cancel**

Respondent filed a motion to dismiss concurrently with its motion to set aside the notice of default and accept its late-filed answer. Petitioner did not directly file a response to Respondent's motion to dismiss. Petitioner may have failed to file a response to the motion to dismiss because it was included in a single filing by Respondent, which included both the motion to set aside the notice of default and its answer. Additionally, Petitioner may have understood its requirement to respond to the motion to dismiss to be conditioned upon the Board's decision to set aside the notice of default. In light of the fact that Respondent's motion was buried in its motion to set aside the notice of default and Petitioner did not file a response thereto, the Board does not consider Respondent's motion to dismiss on the merits at this time; however, in the interests of efficiency, the Board sua sponte finds it appropriate to review the sufficiency of the petition to cancel at this juncture.

### **A. Standing**

Section 14 of the Trademark Act provides that "[a] petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed...by any person who believes that he is or will be damaged ... by the registration of a mark on the [P]rincipal [R]egister." Section 14 thus establishes a broad doctrine of standing; by its terms, the statute requires only that a person have a belief that he would suffer some kind of damage if the mark is registered. As

interpreted in binding precedent, a petitioner must have a “real interest” in the outcome of the proceeding and a “reasonable basis” for its belief that it would suffer some kind of damage by the continued registration of the mark. *See Empresa Cubana del Tabaco*, 753 F.3d 1270, 111 USPQ2d 1058, 1062 (citing *Ritchie v. Simpson*, 170 F.3d 1902, 50 USPQ2d 1023, 1025-26 (Fed. Cir. 1999); *Universal Oil Prods. Co. v. Rexall Drug & Co.*, 463 F.2d 1122, 1123, 174 USPQ 458, 459 (CCPA 1972).

Petitioner has alleged in the petition to cancel facts that, if proven, would establish a real interest in the proceeding, i.e., a personal interest in the outcome of the proceeding and a reasonable basis for a belief of damage arising from the continued subsistence of Respondent’s registrations on the Principal Register. *See McDermott v. San Francisco Women’s Motorcycle Contingent*, 81 USPQ2d 1212, 1214 (TTAB 2006) (“The purpose of the standing requirement, which is directed solely to the interest of the plaintiff, is to prevent litigation when there is no real controversy between the parties.”), *aff’d*, 240 Fed. Appx. 865 (Fed. Cir. 2007). Petitioner has alleged, *inter alia*, ownership of pending Application Serial No. 87381068, which was refused, in part, based upon a potential likelihood of confusion with Respondent’s involved registration. Petition to cancel ¶ 11. *See The Hartwell Co. v. Shane*, 17 USPQ2d 1569, 1570 (TTAB 1990). Additionally, Petitioner has pleaded prior common law rights in the mark GREAT AMERICAN LINENS and that the parties’ marks are confusingly similar. Petitioner has pleaded facts sufficient to allege its standing.

### **B. Likelihood of Confusion**

To allege a valid ground for cancellation under Section 2(d) of the Trademark Act, Petitioner need only allege that it has valid proprietary rights that are prior to those of Respondent, or that it owns a registration, and that Respondent's mark so resembles Petitioner's mark as to be likely to cause confusion. *See* 15 U.S.C. § 1052(d); *Otto Roth & Co. v. Universal Foods Corp.*, 640 F.2d 1317, 209 USPQ 40 (CCPA 1981).

The Board finds that Petitioner has sufficiently pleaded a claim of likelihood of confusion inasmuch as Petitioner has pleaded prior common law rights in its pleaded mark and that its pleaded mark and Respondent's mark are similar.

### **C. Fraud**

To assert a viable claim of fraud, a party must allege with particularity, rather than by implied expression, that the defending party knowingly made a false, material representation in the procurement of, maintenance of, or renewal of a registration with the intent to deceive the USPTO. *See In re Bose Corp.*, 580 F.2d 1240, 91 USPQ2d 1938, 1942 (Fed. Cir. 2009).

Further, fraud in procuring or maintaining a trademark registration occurs when an applicant for registration or a registrant in a declaration of use or a renewal application knowingly makes specific false, material representations of fact in connection with an application to register or in a post-registration filing, with the intent of obtaining or maintaining a registration to which it is not entitled. A plaintiff asserting fraud on the ground that the applicant fraudulently failed to disclose another use of the same or a similar mark must allege facts that, if proved, would be

sufficient to establish that: (1) there was another use of the same or a confusingly similar mark at the time the applicant signed the oath; (2) the other user had legal rights superior to the applicant's; (3) the applicant knew that the other user had superior rights and either believed that a likelihood of confusion would result or else had no reasonable basis for believing otherwise; and (4) the applicant, in failing to disclose these facts to the USPTO, intended to procure a registration to which it was not entitled. *See Int'l House of Pancakes, Inc. v. Elca Corp.*, 216 USPQ 521, 524 (TTAB 1982); *Intellimedia Sports Inc. v. Intellimedia Corp.*, 43 USPQ2d 1203, 1205 (TTAB 1997).

In support of its claim of fraud, Petitioner has pleaded the following:

Upon information and belief, [Respondent] fraudulently obtained the '922 registration with the U.S. Patent and Trademark Office, in that the application filed by [Respondent] filed a Statement of Use under oath that was false. Specifically, the Statement of Use essentially attests that [Respondent] was not aware of any other party who has the right to use a mark that is similar to its mark. The false statements under oath in its application to register were filed just one day after the date of Petitioner's letter sent to [Respondent] and advising them of Petitioner's earlier use of its similar mark and thus earlier rights in a highly similar mark for similar or the same goods etc. Such statements were deliberately deceiving and a misrepresentation to the U.S. Patent and Trademark Office.

Petition to cancel ¶ 12.

Petitioner's claim of fraud fails to meet the heightened pleading requirement of Fed. R. Civ. P. 9(b). Although Petitioner asserts that it had rights superior to those of Respondent and that Respondent was aware of Petitioner's claimed prior rights, Petitioner does not allege that Respondent knew Petitioner had superior rights and either believed that a likelihood of confusion would result or else had no reasonable basis for believing otherwise. Additionally, Petitioner fails to allege that the



purported misrepresentation was material or that Petitioner had the requisite intent to deceive the USPTO. Although intent may be inferred generally, under Fed. R. Civ. P. 9(b), any allegations of fraud based upon “information and belief” must “be accompanied by a statement of facts upon which the belief is founded and a reason for the belief.” *See Exergen Corp.*, 575 F.3d at 1331 n.7 (quoting *Kowal v. MCI Commc’n Corp.*, 16 F.3d 1271, 1279 n.3 (D.C. Cir. 1994) (“[P]leadings on information and belief [under Rule 9(b)] require an allegation that the necessary information lies within the defendant’s control, and...such allegations must also be accompanied by a statement of the facts upon which the allegations are based.”)). In view of the foregoing, the Board finds that Petitioner has failed to plead a claim of fraud.

Notwithstanding the Board’s determination that the petition to cancel does not adequately plead a claim of fraud, it is the Board’s well-established practice to freely grant leave to amend pleadings found to be insufficient. *See Miller Brewing Co. v. Anheuser-Busch Inc.*, 27 USPQ2d 1711, 1714 (TTAB 1993). In view thereof, Petitioner is allowed until **twenty days** from the date of this order in which to file and serve an amended petition to cancel that properly pleads a claim of fraud, failing which the fraud claim will be dismissed with prejudice and given no further consideration by the Board.

In turn, Respondent is allowed until **twenty days** from the date of service of the amended petition to cancel, if any, in which to file and serve an answer or otherwise respond to the amended pleading. In the event Petitioner fails to file and serve an amended pleading, Petitioner’s July 2, 2018 petition to cancel will remain the

operative pleading in this proceeding, as restricted by this order, and Respondent's September 14, 2018 answer thereto is accepted as the operative answer in this proceeding.

### III. Schedule

Consistent with the time set to replead, remaining dates are reset as follows:

Deadline for Discovery Conference	<b>4/2/2019</b>
Discovery Opens	<b>4/2/2019</b>
Initial Disclosures Due	<b>5/2/2019</b>
Expert Disclosures Due	<b>8/30/2019</b>
Discovery Closes	<b>9/29/2019</b>
Plaintiff's Pretrial Disclosures Due	<b>11/13/2019</b>
Plaintiff's 30-day Trial Period Ends	<b>12/28/2019</b>
Defendant's Pretrial Disclosures Due	<b>1/12/2020</b>
Defendant's 30-day Trial Period Ends	<b>2/26/2020</b>
Plaintiff's Rebuttal Disclosures Due	<b>3/12/2020</b>
Plaintiff's 15-day Rebuttal Period Ends	<b>4/11/2020</b>
Plaintiff's Opening Brief Due	<b>6/10/2020</b>
Defendant's Brief Due	<b>7/10/2020</b>
Plaintiff's Reply Brief Due	<b>7/25/2020</b>
Request for Oral Hearing (optional) Due	<b>8/4/2020</b>

Generally, the Federal Rules of Evidence 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

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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).