

THIS OPINION IS NOT A
PRECEDENT OF THE TTAB

Oral Hearing:
July 24, 2007

Mailed:
December 13, 2007

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Small Business Network, Inc.

v.

American Express Company

Cancellation No. 92043745

G. Ehrich Lenz of Incorvaia & Associates for Small Business Network, Inc.

Mark J. Liss of Leydig, Voit & Mayer Ltd. for American Express Company.

Before Hohein, Kuhlke and Walsh, Administrative Trademark Judges.

Opinion by Kuhlke, Administrative Trademark Judge:

Small Business Network, Inc. (petitioner) has petitioned to cancel Registration No. 2838377, issued on May 4, 2004, and owned by American Express Company (respondent). The registration is for the mark OPEN: THE SMALL BUSINESS NETWORK (in typed form) for "administration of a discount program for enabling participants to obtain discounts on goods and services, arranging of subscription for the

publication of others, direct mail consultation services, providing information about the goods and services of others via the global computer network, providing online directory services also featuring hyperlinks to other websites" in International Class 35.

As grounds for cancellation, petitioner asserts the claim of priority of use and likelihood of confusion under Section 2(d) of the Trademark Act, 15 U.S.C. §1052(d). More specifically, petitioner alleges that it has filed a trademark application "for the mark SMALL BUSINESS NETWORK for use in connection with membership club services, namely providing members with discounts, incentives and special promotional offers in Class 35" and that the "PTO has determined by its rejection of Petitioner's application that there is a likelihood of confusion between Petitioner's mark and Respondent's." Petitioner further alleges that it "has clear priority of use of its mark and has not abandoned it," and that "Petitioner's mark has become distinctive of its services."

In addition, petitioner asserts that respondent committed fraud in obtaining its registration based on the allegation that respondent "knew it was not entitled to the mark for which it seeks registration because it was aware of Petitioners' mark, but nevertheless alleged ownership of the

mark and swore that no one else had the right to use the same or similar mark in commerce."

Respondent, in its answer, denies the salient allegations in the petition for cancellation and asserts that "Petitioner has no protectable rights in 'Small Business Network'" inasmuch as "Petitioner has not made substantially exclusive and continuous use of this term for any number of years and the term is a highly descriptive or a generic public domain term."

The parties appeared through counsel at an oral hearing held on July 24, 2007, and have filed briefs.

The evidence of record includes: the pleadings; the file of the registration sought to be cancelled; trial testimony, with related exhibits, taken by each party (Dennis Walker, owner and founder of petitioner (Walker Test.); Leslie Scharf, director brand marketing strategy for respondent (Scharf Test.); Barbra Schiff, manager of legal affairs for respondent (Schiff Test.); and Susan Dalton, owner of company that provides customer services for petitioner (Dalton Test.)); respondent's responses to interrogatories and requests for admission and petitioner's application for the trademark "SMALL BUSINESS NETWORK," submitted by petitioner under a notice of reliance; and third party registrations, respondent's other registration for the mark OPEN SMALL BUSINESS NETWORK for credit card and

charge card services, and printouts from the Nexis database of articles referencing third parties using the wording "Small Business Network," submitted by respondent under a notice of reliance.

PRIORITY/LIKELIHOOD OF CONFUSION

Petitioner is relying on its use of the phrase "SMALL BUSINESS NETWORK" to establish common law rights and priority of use. "Under the rule of Otto Roth, a party opposing registration of a trademark due to a likelihood of confusion with his own unregistered term cannot prevail unless he shows that his term is distinctive of his goods, whether inherently or through the acquisition of secondary meaning or through 'whatever other type of use may have developed a trade identity.'" *Towers v. Advent Software Inc.*, 913 F.2d 942, 16 USPQ2d 1039, 1041 (Fed. Cir. 1990), citing, *Otto Roth & Co. v. Universal Food Corp.*, 640 F.2d 1317, 209 USPQ 40, 43 (CCPA 1981). "The Otto Roth rule is applicable to trademark registration cancellation proceedings as well." *Id.* at 1041.

It is undisputed that the phrase SMALL BUSINESS NETWORK is descriptive of petitioner's services. Petitioner amended its pleaded application for the mark SMALL BUSINESS NETWORK to seek registration based on acquired distinctiveness under Section 2(f) with NETWORK disclaimed and respondent disclaimed the phrase SMALL BUSINESS NETWORK in its

registration. Petitioner argues, however, that this phrase has acquired distinctiveness when used in connection with its services. Based on the record, we find that petitioner's use of the phrase SMALL BUSINESS NETWORK did not cause this term to acquire distinctiveness prior to either respondent's January 17, 2002 date of first use (respondent's response to Request for Admission No. 4) or March 11, 2002, the filing date of respondent's underlying application for its involved registration.

It is petitioner's burden to establish acquired distinctiveness. See *Yamaha Int'l Corp. v. Hoshino Gakki Co. Ltd.*, 840 F.2d 1572, 6 USPQ2d 1001, 1006 (Fed. Cir. 1988). "[L]ogically that standard becomes more difficult as the mark's descriptiveness increases." *Id.* at 1008. Thus, a claim that petitioner has been using the subject matter for a long period of substantially exclusive use may not be sufficient to demonstrate that the mark has acquired distinctiveness. See *In re Gibson Guitar Corp.*, 61 USPQ2d 1948, 1952 (TTAB 2001) (66 years of use); *In re Kalmbach Publishing Co.*, 14 USPQ2d 1490 (TTAB 1989); and *In re Gray Inc.*, 3 USPQ2d 1558, 1559 (TTAB 1987).

The amount and character of evidence required to establish acquired distinctiveness depends on the facts of each case, *Roux Laboratories, Inc. v. Clairol Inc.*, 427 F.2d 823, 166 USPQ 34 (CCPA 1970), and more evidence is required

where a mark is so highly descriptive that purchasers seeing the matter in relation to the goods or services would be less likely to believe that it indicates source in any one party. See *In re Bongrain International Corp.*, 894 F.2d 1316, 13 USPQ2d 1727 (Fed. Cir. 1990). Evidence of acquired distinctiveness can include the length and manner of use of the mark, the nature and extent of advertising and promotion, sales, and surveys. See *British Seagull Ltd. v. Brunswick Corp.*, 28 USPQ2d 1197 (TTAB 1993). See also *Coach House Restaurant, Inc. v. Coach and Six Restaurant, Inc.*, 934 F.2d 1551, 19 USPQ2d 1401, 1406 (1991). However, a successful advertising campaign is not in itself necessarily enough to prove acquired distinctiveness. *In re Boston Beer Co. L.P.*, 198 F.3d 1370, 53 USPQ2d 1056 (Fed. Cir. 1999) (claim based on annual sales under the mark of approximately eighty-five million dollars, and annual advertising expenditures in excess of ten million dollars, not sufficient to establish acquired distinctiveness in view of highly descriptive nature of mark).

The phrase "SMALL BUSINESS NETWORK" is highly descriptive of petitioner's services. The first part, "SMALL BUSINESS," names the target consumer, small businesses. "NETWORK" is defined as "an extended group of people with similar interests or concerns who interact and remain in informal contact for mutual assistance or

support.” The American Heritage Dictionary of the English Language (4th ed. 2006).¹ Thus, the final portion of the mark, “NETWORK,” describes a significant feature of the services, namely the provision of a network through which small businesses may obtain discounts. We agree with petitioner that respondent’s examples of third-party use of the phrase “small business network” to describe other small business networks are of limited probative value insofar as determining the descriptiveness of the phrase in connection with petitioner’s specific services.² However, given the common meaning of the individual terms “small business” and

¹ The Board may take judicial notice of dictionary definitions. *University of Notre Dame du Lac v. J.C. Gourmet Food Imports Co.*, 213 USPQ 594, 596 (TTAB 1982), *aff’d*, 703 F.2d 1372, 217 USPQ 505 (Fed. Cir. 1983).

² Printouts of articles from the Nexis database referencing third parties using the phrase “small business network” include: “The organization is promoting north Omaha through ... a series of activities this summer, working with ... Omaha Small Business Network.” Omaha World-Herald (June 20, 2005); “Meetings and Events ... Small Business Network, monthly meeting ...” Anchorage Daily News (May 25, 2005); “The Western Pennsylvania Small Business Network’s 29th annual Small Business Awards Luncheon was held ...” Pittsburgh Post-Gazette (May 23, 2005); “The Week Ahead ... SOHO Groups, a small business network, will hold its monthly meeting at ...” Salt Lake Tribune (August 2, 2004). While two examples highlighted by respondent appear to involve services similar to petitioners, this is not sufficient to support a finding that the phrase is widely used in connection with petitioner’s services. See Schiff Test. pp. 26-27 Exh. No. 13 (“Welcome to the Rhode Island Small Business Network ... [f]ind great deals and discounts on everything from retailers to restaurants ... [t]he Small Business Network is your online connection to everything Rhode Island ... [i]ncentives, discounts, coupons and, you’ll only find it at UPN28.com”) and pp. 33-35 Exh. No. 21 (“New York Small Business Network is an association designed to help small businesses and individuals obtain discounts on products and services that will help their businesses grow ... New York Small Business Network has

"network," and the unambiguous meaning of the phrase used in connection with petitioner's services, that alone is sufficient to find the phrase highly descriptive. Thus, while the statute provides that acquired distinctiveness may be presumed based on substantially exclusive use for five years, given the highly descriptive nature of the phrase "small business network," petitioner may not rely on this statutory presumption alone.

In support of its assertion of acquired distinctiveness, petitioner testified that between 1995 and 1996 petitioner worked with a long distance company to sell their long distance services and received "dues" from the long distance company for every customer petitioner obtained for the long distance company. Walker Test. pp. 11-14. Petitioner conducted this business purely by telemarketing and "the presentation went something like, 'This is Denny Walker calling from Small Business Network to introduce you to our new buying plan...'" Id. p. 11. By 1998, the long distance companies no longer used petitioner's services. Thereafter, in 1998, petitioner began offering other discount benefits and began enrolling members into petitioner itself and petitioner collected dues directly from its members. Id. p. 13. Other than a direct mailing campaign conducted in 2003, petitioner has primarily used

agreements with various vendors to offer the products and

the phrase in its telemarketing campaigns. Although petitioner has used the phrase on its website created in 1996, Mr. Walker testified that the website was not used as a marketing tool until 2003. *Id.* p. 43. In addition, at least as early as 1999, petitioner sent membership kits to new members along with a quarterly newsletter that included the phrase "SMALL BUSINESS NETWORK." The website and membership kits display the phrase "SMALL BUSINESS NETWORK" next to a prominent SBN logo. The newsletter is titled NETWORK NEWS and includes in smaller print the following wording on the cover: A Magazine Exclusively for the Members of Small Business Network. Mr. Walker further testified that "None of the stuff before 1998 really counts because I mean - there were build ups and then disasters." *Id.* p. 22. Finally, petitioner's membership had grown to approximately 78,000 dues paying members by 2002.³ *Id.* p. 15.

After a careful review of the record, we find that petitioner has not shown that SMALL BUSINESS NETWORK had acquired distinctiveness prior to respondent's filing date of March 11, 2002. In making this determination we have considered petitioner's argument that the evidence of actual

services that small businesses use everyday at reduced rates").
³ The information provided regarding advertising expenses in 2003 is not relevant to the question of acquired distinctiveness prior to 2002.

confusion supports a finding that petitioner had attained trademark rights in the phrase "SMALL BUSINESS NETWORK."

We first address the evidentiary problem presented by this evidence. The bulk of the evidence of alleged actual confusion is in the testimony of Susan Dalton presented on rebuttal. Respondent has objected to this testimony and the exhibits introduced thereunder as improper rebuttal and hearsay. We agree that it is improper rebuttal. "Evidence which should constitute part of [petitioner's] case in chief, but which is made of record during the rebuttal period, is not considered when [respondent] objects."

United States Playing Card Co. v. Harbro LLC, 81 USPQ2d 1537, 1539-40 (TTAB 2007). We are not persuaded by petitioner's argument that Ms. Dalton's testimony served to rebut Ms. Schiff's testimony regarding the issue of actual confusion. Rather, the rebuttal testimony and evidence is merely cumulative evidence relating to actual confusion briefly testified to by Mr. Walker. Respondent's additional objections to Ms. Dalton's testimony and exhibits submitted thereunder as inadmissible hearsay are also sustained except as to Ms. Dalton's testimony relating to her personal experience speaking to customers.

However, even if we were to consider the testimony, the instances asserted to be examples of confusion occurred *after* respondent launched a broad advertising campaign of

its mark OPEN: SMALL BUSINESS NETWORK. While this may lead to the conclusion that respondent had established trademark rights in the phrase SMALL BUSNISS NETWORK as a result of its advertising blitz and, therefore, trumped any rights petitioner may have been attempting to build, it does not show that petitioner had acquired trademark rights in the mark. Finally, even if we were to consider it evidence of petitioner's acquired distinctiveness of its mark, it occurs after respondent's first use of its mark and application filing date. The record simply does not support a finding of acquired distinctiveness or secondary meaning in the highly descriptive phrase SMALL BUSINESS NETWORK attributable to petitioner, prior to respondent's first use date of its mark or application filing date.

Inasmuch as the record reflects that petitioner had not acquired service mark rights in its alleged mark SMALL BUSINESS NETWORK as of the time respondent first used the mark OPEN: SMALL BUSINESS NETWORK in connection with its services or the filing date of the application underlying respondent's registration, we hold that petitioner has not established priority of use so as to support a valid cause of action to cancel the registration for the mark OPEN: SMALL BUSINESS NETWORK pursuant to Section 2(d) of the Lanham Act.

In order to prevail pursuant to Section 2(d), the petitioner must establish, among other things, prior service mark rights in its own purported mark. Because petitioner herein has failed to do this, the petition for cancellation must be dismissed as to this claim.

FRAUD

In regard to the claim of fraud, petitioner argues that respondent "could not reasonably assert that it had substantially exclusive use of the SMALL BUSINESS NETWORK mark" and that "it appears that [respondent] deliberately attempted to avoid discovering [petitioner's] prior use of the name 'Small Business Network.'" Br. p. 22.

In order to prevail on a claim of fraud for misstatements in an application, a plaintiff must plead and prove that the applicant knowingly made "false, material representations of fact in connection with [its] application." *Torres v. Cantine Torresella S.r.L.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). To constitute fraud on the U.S. Patent and Trademark Office, a statement must be (1) false, (2) made knowingly, and (3) a material representation. The charge of fraud upon the Office must be established by clear and convincing evidence. *Giant Food, Inc. v. Standard Terry Mills, Inc.*, 229 USPQ 955 (TTAB 1986).

With regard to the type of fact alleged to have been misrepresented in this case, Professor McCarthy has stated the following:

It should be noted that in the application "oath" declarant states that to the best of his or her "knowledge and belief" no other firm "has the right to use" the mark or a confusingly similar mark "in commerce." ... The application oath is essentially an averment of the affiant or declarant's belief that no other firm has the legal right to use the mark or a confusingly similar mark in interstate or foreign commerce. There is nothing in the oath or the statute which requires applicant to disclose anyone who in fact may be using the mark, but does not, in the applicant's belief, possess the legal right to use. The oath is not a guarantee that no other firm has a legal right to use the mark. Simply because after litigation, another may succeed in proving in the PTO or in court that it does have a legal right to use, does not mean that the signer of the oath committed fraud and was a liar. The signer of an application oath should not be put in the position of a fortune teller as to what the courts will hold in future as to the trademark rights of others.

McCarthy on Trademarks and Unfair Competition § 31.76

(4th ed. updated 2007) citations omitted.

The Board has found that there is no fraud in signing the application oath if an applicant knew of third-party uses, but reasonably believed that its rights were superior to those third-party uses. See, *Space Base, Inc. v. Stadis Corp.*, 17 USPQ2d 1216 (TTAB 1990); and *Heaton Enterprises of Nevada, Inc. v. Lang*, 7 USPQ2d 1842 (TTAB 1988).

We begin by noting that respondent's mark is OPEN:
SMALL BUSINESS NETWORK and the phrase SMALL BUSINESS NETWORK

is disclaimed. To the extent respondent was aware of or should have been aware of use by others, including petitioner, of the descriptive phrase SMALL BUSINESS NETWORK, does not account for respondent's belief as to its rights in the mark as a whole. More importantly, in view of our finding regarding petitioner's failure to establish service mark rights in the descriptive phrase SMALL BUSINESS NETWORK, the statement in respondent's declaration is not false. Thus, the claim of fraud must fail.

Decision: The petition for cancellation is dismissed.