

Goodman

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**UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451**

Mailed: February 14, 2008

Opposition No. **91173681**

Zodiac Spirits, Inc.

v.

Anil Mezini

and

Cancellation No. **92046748**

Anil Mezini

v.

Koan, Inc.

Before Hohein, Zervas and Walsh, Administrative Trademark Judges.

By the Board:

Applicant Anil Mezini (hereinafter Mezini) has applied to register the mark ZODIAC TEA in standard character form for "beverages made of tea; fruit teas; herbal tea for food purposes; tea; tea-based beverages with fruit flavoring" in International Class 30.¹

Registration has been opposed by opposer Zodiac Spirits, Inc. (hereinafter Zodiac) on the ground that

¹ Application Serial No. 78677720, filed July 25, 2005, based on a bona fide intention to use the mark in commerce pursuant to Trademark Act Section 1(b); the word TEA is disclaimed.

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Mezini's mark, when used on the identified goods, so resembles Zodiac's previously used and registered mark as to be likely to cause confusion, mistake or deception.

Specifically, Zodiac has pleaded ownership of a registration for the mark ZODIAC for "distilled spirits, liqueur and whiskey" in International Class 33 and has pleaded common law rights in such mark for "distilled spirits and related beverage products."²

In its answer, Mezini has denied the salient allegations of the notice of opposition.

Mezini subsequently sought cancellation of Zodiac's pleaded registration for the mark ZODIAC in a separate cancellation action against Koan Inc. (hereinafter Koan), who is listed in USPTO records as the current owner of the pleaded Zodiac registration in Opposition No. 91173681. Koan is a wholly owned subsidiary of Zodiac. The grounds for cancellation are fraud based on nonuse by the original registrant, fraud based on nonuse of the mark on certain of the goods, and the registration was void ab initio because at the time of filing the underlying application the original registrant was not the owner of the mark.

On January 11, 2007, the Board consolidated the opposition and cancellation proceedings, finding that the

² Registration No. 2293534 issued on November 16, 1999 on the Principal Register; Section 8 accepted and Section 15 acknowledged June 9, 2005.

petition to cancel was essentially a compulsory counterclaim to cancel the pleaded registration.

In lieu of filing an answer in the cancellation, Koan has moved for summary judgment.

This case now comes up on the following motions:

- 1) Koan's motion for summary judgment, filed January 9, 2007;
- 2) Koan's "request to correct registration," filed January 16, 2007;
- 3) Mezini's motion for 56(f) discovery, filed January 17, 2007;
- 4) Mezini's motion for leave to amend the petition to cancel, filed January 17, 2007; and
- 5) Mezini's cross-motion for summary judgment, filed January 17, 2007.

To the extent that Mezini seeks discovery under Fed. R. Civ. P. 56(f), we find his motion moot because Mezini has responded to Koan's motion for summary judgment on its merits.

We now turn to the parties' cross motions for summary judgment.

As background, Koan's predecessor in interest, Demptos Glass Company, LLC (hereinafter Demptos) filed, on February 11, 1998, application Serial No. 75432480 for the mark ZODIAC for "spirits," claiming a bona fide intention to use the mark in commerce under Section 1(b). The identification of goods was amended on July 23, 1998 to "spirits, namely

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distilled spirits, liqueur and whiskey." A notice of allowance was issued on March 2, 1999 for all of the goods, and on July 30, 1999, Demptos filed its statement of use, signed by its President Godert Tegelberg, indicating use of the mark on "spirits, namely, distilled spirits, liqueur and whiskey" and alleging a date of first use in commerce of April 30, 1999. Registration No. 2293534 issued on November 16, 1999, and on April 6, 2000, Demptos assigned the registration and subject mark to Koan. On March 24, 2005, Koan filed its Combined Declaration of Use and Incontestability under Section 8 and 15 listing the following goods: "spirits, namely, distilled spirits, liqueur and whiskey." Marc G. Beginin, Chief Executive Officer of Koan, signed the Combined Declaration. The petition to cancel Registration No. 2293534 was filed on December 7, 2006. After the petition to cancel was filed, Koan, on January 16, 2007, filed a "Request to Correct Registration" under Section 7(g)) both with the USPTO Post Registration section and with the Board seeking to delete "liqueur and whiskey" from the registration. On May 22, 2007, the Post Registration division issued a Section 7 correction deleting "liqueur and whiskey" from the identification of goods.

In support of its motion for summary judgment, Koan argues, with respect to Mezini's allegations of fraud based

on nonuse by Demptos, that on March 9, 1998, an "execution agreement" between Demptos and Koan transferred brand ownership to Koan at the time of execution. Koan subsequently used the mark in 1999 which was the basis for the date of first use in commerce stated in the application and therefore, Koan has established that there was no fraud with regard to Demptos' allegations of use. With regard to Mezini's allegations of fraud based on nonuse with respect to liqueur and whiskey, Koan argues that "[t]here is no question that both liqueur and whiskey are ... distilled spirits" because the goods are not so distinct from one another but "naturally interconnected" and therefore, there is no fraud because "Demptos' and Koan's failure to use the ZODIAC mark for liqueur and whiskey has no effect on another party" since "anyone seeking to use the ZODIAC name for whiskey would be prevented from doing so by virtue of Koan's registration of ZODIAC for distilled spirits."

As evidentiary support, Koan has submitted the affidavit of Thomas Benson, President of Koan, the "execution agreement" between Demptos and Koan, and newspaper articles referencing Koan's use of ZODIAC in connection with vodka.

In opposing the motion and in support of its cross motion, Mezini argues that Koan's admission that Demptos transferred all rights of brand ownership on March 9, 1998,

establishes that there is no genuine issue of material fact that Demptos' declaration filed with the Statement of Use was fraudulent as it falsely stated that Demptos was using the mark and was the owner of the mark. Mezini argues that "[b]ecause Demptos transferred all rights in the Zodiac name some 16 months prior, the July 30, 1999 allegation in the Statement of Use that Demptos was using the mark together with the statement in the declaration that Demptos was the owner of the mark, were materially false." Mezini maintains that "these circumstances constitute blatant and intentional fraud in the procurement of the registration."

Mezini also argues that there is no genuine issue of material fact regarding whether ZODIAC has been used in connection with "liqueur" or "whiskey" as Koan acknowledges that the mark has never been used for "liqueur" or "whiskey" and that Koan's "claim that the fraudulent inclusion of 'liqueur' and 'whiskey' in the registration has no effect on another party is simply wrong." Mezini asserts that there is no genuine issue of material fact that at the time of filing the Statement of Use and at the time of filing the "Section 8" declaration of continued use, both Demptos and Koan knew that the mark had not been used for "liqueur" or "whiskey," and therefore Mezini is entitled to summary judgment.

As evidentiary support, Mezini has submitted, among other things, a dictionary definition for liqueur.

In response to the cross-motion for summary judgment, Koan argues that summary judgment is not appropriate on the issue of fraud as genuine issues of material fact exist with regard to "Demptos' and Koan's knowledge regarding the falsity of the identification of goods"; "the status of Koan as a licensee or an assignee at the time the statement of use was filed"; and "Demptos' state of mind at the time of filing" of the application or during prosecution of the application. Koan "admits that the mark was not used on whiskey or liqueur" but maintains that the "failure to delete these items from the identification of goods clause was nothing more than an honest mistake," further arguing that "the inclusion of 'whiskey' and 'liqueur' to the identification of goods clause has no material bearing on the scope of the ZODIAC mark" and is "immaterial for purposes of establishing the presence of fraud." Koan also argues that there was no fraud at the time of filing the Statement of Use because Koan was a licensee of Demptos prior to the assignment and therefore Demptos was still the owner of the mark at the time of filing the Statement of Use; and that there was no fraud at the time of Koan's filing of the "Declaration under Sections 8 and 15" because

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"[t]here is no evidence Koan knowingly made a false representation of fact."

As evidentiary support, Koan has submitted the "execution agreement" between Demptos and Koan, a printout of the Trademark Assignment Abstract of Title for the ZODIAC mark, Registration No. 2293534, and Thomas Benson's Declaration in Support of Registrant's Request to Correct Registration.

In reply, Mezini argues that "there is no genuine issue of material fact that both the Statement of Use and the Section 8/15 affidavit filing were false" in view of Koan's subsequent filing of a declaration "admitting that '[a]s of the date of the statement of use and §8 affidavit filing, Koan was not offering liqueur or whiskey. As such the current identification of goods is erroneous.'" Mezini further argues that "the specific or actual intent of Mr. Tegelberg, who signed the Statement of Use, and Mr. Benson [sic], who signed the Section 8/15 affidavit, is not material to the question of fraud" as the inquiry is into the objective manifestations of intent; that Koan's "admission that the mark has not been used for two of the three goods identified in the Registration" "is all that is required to establish intent to commit fraud in the procurement of the registration"; and that therefore "cancellation is appropriate."

Summary judgment is appropriate when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56(c). All reasonable inferences must be drawn in favor of the nonmoving party. The burden is on the moving party to establish its right to summary judgment. The mere fact that cross-motions for summary judgment on an issue have been filed does not necessarily mean that there are no genuine issues of material fact, and that trial is unnecessary. See TBMP Section 528.01 (2d ed. rev. 2004) and cases cited therein.

As an initial matter, Mezini's standing as petitioner in the cancellation has been established by its position as applicant in the opposition inasmuch as the petition to cancel was effectively a compulsory counterclaim. Thus, petitioner's standing, that is, his real interest in this proceeding, has been established. See *Carefirst of Maryland Inc. v. FirstHealth of the Carolinas Inc.*, 77 USPQ2d 1492, 1502 (TTAB 2005) ("There is no issue regarding the standing of the parties to bring their respective oppositions and cancellation Applicant, by virtue of its position as defendant in the opposition, has standing to seek cancellation of the pleaded registrations") citing *Ohio State University v. Ohio University*, 51 USPQ2d 1289, 1293 (TTAB 1999).

Based on the record now before us and for the reasons discussed below, we conclude that Mezini is entitled to summary judgment on the ground of fraud based on Koan's nonuse of ZODIAC on "liqueur" and "whiskey." By its motion, Mezini has established that there are no genuine issues of material fact remaining for trial in the cancellation as to this ground of fraud.

Fraud in procuring a trademark registration occurs when an applicant for registration knowingly makes false, material representations of fact in connection with an application to register or, in the case of maintaining a registration, when a registrant makes false, material representations of fact in connection with an affidavit of continued use under Section 8. *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). Statements regarding the use of the mark on goods and services are material to issuance and maintenance of a registration covering such goods and services. *Hachette Filipacchi Presse v. Elle Belle, LLC*, 85 USPQ2d 1090 (TTAB 2007); *Hurley International LLC v. Volta*, 82 USPQ2d 1339 (TTAB 2007); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917 (TTAB 2006); *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003); and *First International Services Corp. v. Chuckles*, 5 USPQ2d 1628 (TTAB 1988).

A party making a fraud claim is under a heavy burden because fraud must be proved to the hilt with clear and convincing evidence, leaving nothing to speculation, conjecture, or surmise. Any doubt must be resolved against the party making the claim. *Sinclair Oil Corp. v. Sumatra Kendrick*, 85 USPQ2d 1032 (TTAB 2007).

In the case at hand, however, there is no dispute and no genuine issue of material fact that the original registrant Demptos had not used its mark in connection with "liqueur" and "whiskey" at the time of filing the Statement of Use and there is no dispute and no genuine issue of material fact that current registrant Koan was not using the mark in connection with "liqueur" and "whiskey" at the time Koan filed its Combined Declaration of Use and Incontestability under Sections 8 and 15. Koan's declaration in support of its request to correct its registration states that "As of the date of the statement of use and §8 affidavit filing, Koan was not offering liqueur or whiskey." Koan also admits in response to Mezini's cross-motion for summary judgment that "the mark was not used on whiskey and liqueur." Response brief at p.4

Koan has argued that its nonuse on "liqueur" and "whiskey" is not material because these goods are also considered distilled spirits which is also part of the identification of goods and therefore there is no fraud.

However, if an identification of goods includes both a broad product term and a specific product term which is encompassed by the broad product term, averring to use of the specific goods to procure or maintain a registration when the mark is not in use with those particular goods is fraudulent. *Torres v. Cantine Torresella S.r.l.*, supra (registrant committed fraud in filing Section 9 affidavit averring to use in commerce on wine, vermouth and champagne when the mark was no longer in use on vermouth and champagne); *Tri-Star Marketing LLC v. Nino Franco Spumanti S.R.L.*, 84 USPQ2d 1912 (TTAB 2007) (identification of goods in a trademark registration that includes both broad product term and specific product term is fraudulent if registrant is not using its mark on specific product, and product is encompassed within the broad term).

Koan has also argued that genuine issues of material fact remain as to both Demptos' and Koan's intent with respect to their "knowledge of the falsity of the identification of goods," arguing "summary judgment on the issue of fraud would unfairly impute a deceptive intent on the part of Koan" given "Koan's lack of knowledge or documentation regarding how and why Demptos selected 'whiskey' and 'liqueur.'" Koan also maintains that the failure to delete "whiskey" and "liqueur" was "nothing more than an honest mistake," "inadvertent", and of "no

deceptive intent" and that because there is no evidence "that Koan knowingly made a false representation of fact," summary judgment would not be proper on this issue.

However, it is well established that in *inter partes* proceedings "proof of specific intent is not required, rather, fraud occurs when an applicant or registrant makes a false material representation that the applicant or registrant knew or should have known was false." *Medinol, supra* at 67 USPQ2d 1209 (quoting *General Car and Truck Leasing Systems Inc. v. General Rent-A-Car Inc.*, 17 USPQ2d 1398, 1400-01 (S.D. Fla. 1990), *aff'g General Rent-A-Car Inc. v. General Leaseways, Inc.*, Canc. No. 14,870 (TTAB May 2, 1988)). See also *First International Services Corp., supra* at 5 USPQ2d 1636 ("we recognize that it is difficult, if not impossible, to prove what occurs in a person's mind, and that intent must often be inferred from the circumstances and related statement made by that person. Otherwise, all claims of fraud could easily be defeated by the simple statement, 'I had no intent to do so.'"). As the Board determined in *Medinol*, "the appropriate inquiry is . . . not into the registrant's subjective intent, but rather into the objective manifestations of that intent." *Medinol, supra* at 67 USPQ2d 1209.

In this case, the undisputed facts clearly establish that Demptos and Koan should have known at the time of

submission of the Statement of Use or the Combined Declaration of Use and Incontestability under Sections 8 and 15 that the mark was not in use on all of the goods. Koan now acknowledges its error and, for purposes of this summary judgment motion, we accept its statements made in Thomas Benson's declaration "to correct registration" that "[t]he error was unintentional and inadvertent and had not been discovered previously" and that with respect to the Combined Declaration of Use and Incontestability under Sections 8 and 15, the mistake "appears to have resulted from Koan receiving an assignment of the trademark with the identification of goods as currently listed and subsequently failing to amend the identification of goods to more accurately reflect Koan's goods." However, Mr. Benson's declaration does not provide an explanation as to why Demptos and Koan should not have known that the Statement of Use as well as the Combined Declaration of Use and Incontestability under Sections 8 and 15 were materially incorrect. Both Demptos' President, Mr. Tegelberg, and Koan's Chief Executive Officer, Mr. Beginin, were obligated to make appropriate inquiries to confirm the meaning and accuracy of the statements contained in the Statement of Use and the Combined Declaration of Use and Incontestability under Sections 8 and 15 before signing the declarations and prior to submission to the USPTO. See e.g., *Hachette*

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Filipacchi Presse, supra, 85 USPQ2d at 1094 (respondent's president "was obligated to confirm the meaning and accuracy of the statements contained in the application before signing the declaration and prior to submission to the USPTO. 'The obligation which the Lanham Act imposes on an applicant is that he will not make *knowingly* inaccurate or *knowingly* misleading statements in the verified declaration forming a part of the application for registration.' *Bart Schwartz International Textiles, Ltd., v. Federal Trade Commission*, 289 F.2d 665, 669, 129 USPQ 258, 260 (CCPA 1961) (emphasis in original). Therefore, as indicated *supra*, an applicant or registrant may not make a statement he/she knew or should have known was false or misleading. *Medinol*, *supra* at 1209"). In this case, there is no explanation in the record as to why the president of Demptos and the Chief Executive Officer of Koan could not have confirmed the meaning and accuracy of the statements contained in the Statement of Use as well as the Combined Declaration of Use and Incontestability under Sections 8 and 15 before signing the declaration and prior to submission to the USPTO.

The USPTO will not issue a registration based on use covering goods upon which the mark has not been used, and there is no question that the Statement of Use would not have been accepted nor would the registration have issued but for Demptos' representation that it was using the mark

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on all the goods identified in the Notice of Allowance. See Trademark Rule 2.88(c). Additionally, there is no question that a statement in a Combined Declaration of Use and Incontestability under Sections 8 and 15 that the mark is being used on all the goods is a material representation inasmuch as without use on all of the goods, the declaration of continued use would not have been accepted. See Trademark Rule 2.161.

Accordingly, we conclude that Demptos and Koan should have known that their averments regarding use in the Statement of Use and the Combined Declaration of Use and Incontestability under Sections 8 and 15 were false, material misrepresentations of fact. Therefore, we find that Demptos' false material misrepresentations made in connection with its Statement of Use were fraudulent and Koan's false material misrepresentations made in connection with the Combined Declaration of Use and Incontestability under Sections 8 and 15 were fraudulent.

Lastly, with respect to Koan's request to correct its registration, which in essence is an attempt to amend its registration to delete the goods on which the mark has never been used, such request sought after the petition to cancel was filed does not change our decision in this matter. As noted above, after the filing of the petition to cancel, Koan filed its request both with the Board and with the USPTO's Post Registration section and the amendment was

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entered by the Post Registration section on May 22, 2007. However, because the registration was the subject of an inter partes proceeding, the Post Registration section did not have jurisdiction to determine the propriety of the amendment and the approval of such amendment by the Post Registration section was in error. Nevertheless, "the fact that the Post Registration section mistakenly acted on the amendment does not preempt the Board's authority to determine the issue of fraud with respect to the original identification of the goods." *Hachette Filipacchi Presse, supra* at 85 USPQ2d 1095. Under the circumstances, the amendment will be given no effect but we note that in any event, Koan's amendment sought after the petition to cancel was filed would not serve to cure the fraud that was committed inasmuch as a deletion of goods upon which the mark has not yet been used does not remedy fraud upon the USPTO. *Id.* citing *Medinol, supra*.

Therefore, we find that Demptos and Koan committed fraud on the USPTO in procuring and maintaining Registration No. 2293534.

Accordingly, Mezini's motion for summary judgment on the ground of fraud in the procurement and maintenance of the ZODIAC registration based on nonuse of the mark ZODIAC on "liqueur" and "whiskey" is granted. The registration must be canceled in its entirety. See *Standard Knitting,*

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supra at 77 USPQ2d 1928.³ In view of our decision herein, we need not reach the grounds of fraud with respect to Demptos' nonuse of the mark at the time of filing the Statement of Use, or whether the registration was void ab initio.

Additionally, inasmuch as the cancellation only relates to the maintenance of Registration No. 2293534, Zodiac, as opposer in Opposition No. 91173681, is still entitled to rely on its common law rights in the ZODIAC mark in asserting its claims of likelihood of confusion in the opposition. See *Standard Knitting*, supra. Accordingly, the opposition will go forward on these claims.

In view thereof, judgment is hereby entered against Koan and the petition to cancel is granted on the ground as specified above.

Registration No. 2293534 will be cancelled in due course.

Proceedings are resumed. Discovery and trial dates are reset as follows:

³ Mezini's motion to amend the petition to cancel is moot.

DISCOVERY PERIOD TO CLOSE:

June 14, 2008

30-day testimony period for party in position of plaintiff
to close:

September 12, 2008

30-day testimony period for party in position of defendant
to close:

November 11, 2008

15-day rebuttal testimony period for party in position of
plaintiff to close:

December 26, 2008

In each instance, a copy of the transcript of testimony together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125.

Briefs shall be filed in accordance with Trademark Rules 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.129.

* * * *

The USPTO published a notice of final rulemaking in the Federal Register on August 1, 2007, at 72 F.R. 42242. By this notice, various rules governing Trademark Trial and Appeal Board inter partes proceedings are amended. Certain amendments have an effective date of August 31, 2007, while most have an effective date of November 1, 2007. For further information, the parties are referred to a reprint of the final rule and a chart summarizing the affected rules, their changes, and effective dates, both viewable on the USPTO website via these web addresses:

<http://www.uspto.gov/web/offices/com/sol/notices/72fr42242.pdf>

http://www.uspto.gov/web/offices/com/sol/notices/72fr42242_FinalRuleChart.pdf

By one rule change effective August 31, 2007, the Board's standard protective order is made applicable to all TTAB inter partes cases, whether already pending or commenced on or after that date. However, as explained in the final rule and chart, this change will not affect any case in which any protective order has already been approved or imposed by the Board. Further, as explained in the final rule, parties are

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free to agree to a substitute protective order or to supplement or amend the standard order even after August 31, 2007, subject to Board approval. The standard protective order can be viewed using the following web address:

<http://www.uspto.gov/web/offices/dcom/ttab/tbmp/stdagmnt.htm>