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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In re Registration No. 1,744,449
Registered January 5, 1993

CROTON WATCH COMPANY, INC., Petitioner, v. NUR AHMAD, Registrant.	Cancellation No. 92047936

74/264,561

PETITIONER'S RESPONSE TO RESPONDENT'S MOTION TO SUSPEND CANCELLATION PROCEEDINGS OR, IN THE ALTERNATIVE, MOTION TO DISMISS PETITION FOR CANCELLATION FOR FAILURE TO PLEAD FRAUD WITH SPECIFICITY

Petitioner Croton Watch Company, Inc ("Petitioner"), by and through its attorneys Ostrolenk, Faber, Gerb & Soffen, LLP, pursuant to § 502.02(b) of the Trademark Trial and Appeal Board Manual of Procedure, hereby responds to Respondent's Motion to Suspend Cancellation Proceedings or, in the Alternative, Motion to Dismiss Petition for Cancellation for Failure to Plead Fraud with Specificity ("Respondent's Motion"). Petitioner respectfully requests that Respondent's Motion be denied in its entirety for the reasons discussed below.

[redacted]
10-01-2007
U.S. Patent & TMOfc/TM Mail Rcpt Dt. #30

I. STATEMENT OF FACTS

The current cancellation action before the Board is simple and straightforward. There is no dispute that Respondent Nur Ahmad (the "Respondent") is the current record owner of U.S. Registration No. 1,744,449 of the mark BELLAGIO for "jewelry and watches" in Class 14 (the "Registration"). In October 2006, Respondent filed a Complaint (the "Complaint") in the United

States District Court for the Central District of California against Respondent (the "Civil Action") alleging, *inter alia,* that Petitioner had infringed the Registration. See Declaration of Natu J. Patel in Support of Respondent Nur Ahmad's Motion to Suspend Cancellation Proceedings or, in the Alternative, Motion to Dismiss Petition for Cancellation for Failure to Plead Fraud with Specificity (the "Patel Dec.") at ¶ 1, Ex. A.

In its answer to the Complaint in the Civil Action (the "Answer"), Petitioner asserted various affirmative defenses. See Patel Dec. at Ex. C. However, Petitioner did not assert any counterclaim to cancel the Registration. *Id.* Nor did Petitioner even specifically mention the fraud that Respondent had committed upon the United States Patent and Trademark Office. *Id.*

This is because Respondent did not learn about such fraud until during the course of discovery in the Civil Action. During the discovery period in the Civil Action, Petitioner learned that Respondent had never used the mark BELLAGIO in the Registration for the "watches" covered by the Registration in the ordinary course of business and not merely to obtain or preserve registered rights. See Declaration of Peter S. Sloane (the "Sloane Dec."). Petitioner also learned that Respondent had engaged in naked licensing of the Registration. Accordingly, Petitioner filed the instant cancellation action based upon claims of fraud and abandonment.

Specifically, in the Petition for Cancellation, filed on August 6, 2007, Petitioner alleged that Respondent had fraudulently procured the Registration, and had later fraudulently maintained the Registration in filing his Declaration of Use, his Declaration of Incontestability, and his Renewal Application. Petitioner also alleged that Respondent had abandoned the mark in the Registration through naked licensing and non-use.

Simply put, the Board should deny the motion to suspend proceedings because cancellation of the Registration is not an issue presently before the court in the Civil Action.

Furthermore, the Board should deny the motion to dismiss the Petition for Cancellation because the claims of fraud asserted therein were pleaded with adequate specificity.

II. ARGUMENT

A. Respondent's Motion to Suspend Should be Denied Because the Relief Sought in the Civil Action is Different than the Relief Sought before the Board

As Respondent avers, "[w]henever it shall come to the attention of the Trademark Trial and Appeal Board that a party or parties to a pending case are engaged in a civil action or another Board proceeding which may have a bearing on the case, proceedings before the Board may be suspended until termination of the civil action or the other Board proceeding." 37 C.F.R. § 2.117(a) (emphasis added). However, the rule does not impose a requirement. Indeed, the Board should exercise its discretion to deny the motion to suspend because the claims asserted in the Civil Action are not the same as those raised in the instant cancellation action. See Hako-Med USA, Inc. v. Axiom Worldwide, Inc., 2006 U.S. Dist. LEXIS 91889, at *4 (M.D. Fl. 2006) (affirming the Magistrate Judge's Report and Recommendation which found that the party's "pending petition to cancel the registration has no bearing on the court's analysis of the trademark infringement claim"). A copy of the decision in Hako-Med is attached as Exhibit 1 for the convenience of the Board.

The Civil Action is a trademark infringement case based, in part, upon rights that Respondent claims in the Registration. Patel Dec. at Ex. A. In answering the Complaint in the Civil Action, so as not to waive the claim, Respondent did assert the affirmative defense of invalidity. Patel Dec. at Ex. C. However, Respondent never asserted a counterclaim to specifically cancel the Registration. *Id.*

Indeed, Respondent only learned about the facts sufficient to support a claim to cancel the Registration, based upon fraud and abandonment, during discovery of the Civil Action

and after the deadline to amend the pleadings in the Civil Action had already passed. As a result, Respondent has did not have an opportunity to plead a claim to cancel the Registration in the Civil Action.

Respondent speculates that the district court "will most likely" consider the issues of fraud that Petitioner will raise in proving its affirmative defense of invalidity. Respondent's Motion at p. 5. However, there is no guarantee that the court will in fact consider such issues even if raised by Petitioner. The Board need not suspend these proceedings based upon the mere possibility that the court will consider the issues of fraud and abandonment that Petitioner has expressly asserted in this cancellation action.

Moreover, even if the Court does consider such issues, and finds that Petitioner has demonstrated that the Registration is invalid through fraud or abandonment, it would only support one of Petitioner's affirmative defenses. This would be sufficient to result in dismissal of the Complaint in the Civil Action. However, it would not necessarily result in cancellation of the Registration. See Riverside Memorial Mausoleum, Inc. v. UMET Trust, 581 F.2d 62, 68 (3rd Cir. 1978) ("A counterclaim may entitle the defendant in the original action to some amount of affirmative relief; a [affirmative] defense merely precludes or diminishes the plaintiff's recovery.); Fed. Deposit Ins. Corp. v. F.S.S.S., 829 F. Supp. 317, 322 at n.11 (D. Alaska 1993)(explaining that affirmative defenses challenge the alleged underlying liability while counterclaims are separate and independent of the plaintiff's claims).

Indeed, the prayer for relief in the Answer to the Complaint seeks only dismissal of the Civil Action. Patel Dec. at Ex. C. It contains no specific request to cancel the Registration. For that, Petitioner respectfully requests that the Board allow Petitioner to move forward with this action so that it may obtain the relief that it now seeks in canceling the Registration for fraud and

abandonment. If anything, such a finding by the Board would obviate the need for the court in the Civil Action to consider the claim of trademark infringement. See Morton-Norwich Products, Inc. v. J.L. Prescott Co., 216 U.S.P.Q. 1120, 1123 (D.S.C. 1981)(finding that if the Patent and Trademark Office cancels the plaintiff's registration, the count for trademark infringement would have to be dismissed).

B. Respondent's Motion to Dismiss the Fraud Claims Should be Denied Because Petitioner Pled Fraud with the Requisite Specificity

For purposes of determining Respondent's motion to dismiss with regard to Petitioner's claims of fraud, the Board must accept as true all material allegations in the Petition for Cancellation, and must construe the Petition for Cancellation in favor of Petitioner. See Ritchie v. Simpson, 170 F.3d 1092, 1097, 50 U.S.P.Q.2d 1023, 1027 (Fed. Cir. 1999), citing, Jewelers Vigilance Committee, Inc. v. Ullenberg Corp., 823 F.2d 490, 492, 2 USPQ2d 2021, 2022 (Fed. Cir. 1987).

Petitioner does not dispute that, with regard to allegations of fraud, the sufficiency of its claims is governed by Fed. R. Civ. P. 9(b). 37 C.F.R. § 2.116(a). However, the sufficiency of a pleading under "Rule 9(b) must be read in conjunction with Rule 8 which only requires a short and plain statement of the claim." Gaffrig Performance Indus., Inc. v. Livorsi Marine, Inc., 2001 U.S. Dist. LEXIS 8481, at * 11 (N.D. Ill 2001). A copy of the decision in Gaffrig Performance is attached as Exhibit 2 for the convenience of the Board. In moving to dismiss the Complaint, Respondent attempts to burden Petitioner with alleging more than the short and plain statement necessary to adequately make out a claim for fraud and, in doing so, puts form over substance.

Indeed, the Gaffrig Performance case, cited by Respondent in Respondent's Motion at p. 7, states that "Plaintiff need not set forth all of the specific facts and circumstances surrounding

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