

Appellant's Brief

BRIEF FOR APPELLANT

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

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FRANCIS X. GINDHART
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Appeal Nos. 89-1053, 89-1079

COPELANDS' ENTERPRISES, INC.
d/b/a COPELANDS' SPORTS,

Appellant,

v.

CNV, INC.,

Appellee.

APPEAL FROM A DECISION OF THE
TRADEMARK TRIAL AND APPEAL BOARD

[REDACTED]

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March 3, 1989

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Copelands' Enterprises v. CNV

No. 89-1053

CERTIFICATE OF INTEREST

Counsel for the petitioner, Copelands' Enterprises, Inc., certifies the following:

1. The full name of every party represented by me is:
Copelands' Enterprises, Inc.
2. The name of the real party in interest represented by me is:
Copelands' Enterprises, Inc.
3. The corporate party represented by me has no publicly held affiliates.
4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the agency below and will appear in this court are:

Douglas E. Olson, Lyon & Lyon

Dale Ellen Nelson, Lyon & Lyon

Daniel J. Meaney

Date: 11/3/88

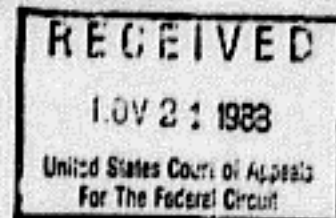


Douglas E. Olson
Counsel for Petitioner
Copelands' Enterprises, Inc.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Copelands' Enterprises v. CNV

No. 89-1079



CERTIFICATE OF INTEREST

Counsel for the petitioner, Copelands' Enterprises, Inc., certifies the following:

1. The full name of every party represented by me is:
Copelands' Enterprises, Inc.

2. The name of the real party in interest represented by
is:
Copelands' Enterprises, Inc.

3. The corporate party represented by me has no publicly held affiliates.

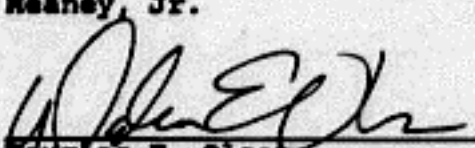
4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the agency below and will appear in this court are:

Douglas E. Olson, Lyon & Lyon

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Date: 11/18/83



Douglas E. Olson
Counsel for Petitioner
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ABBREVIATIONS APPEARING IN THIS BRIEF

- Copelands - Copelands' Enterprises, Inc., dba Copelands' Sports, petitioner/appellant.
- CNV - CNV, Inc., respondent/appellee.
- VUARNET mark - the subject of U.S. Reg. No. 1,276,815, which issued May 8, 1984 to Pouilloux, the assignment of which to CNV was recorded on January 18, 1985 and which was registered with U.S. Customs Service on Nov. 12, 1985. The registration claims the word "VUARNET."
- VUARNET FRANCE mark - the subject of U.S. Serial No. 537,206, filed May 13, 1985 in the name of CNV, Inc. The application claims a design comprising a circle, a rectangle, a "V" shape and the words "VUARNET FRANCE."
- Pouilloux - Sporoptic Pouilloux S.A., a French corporation and the manufacturer of the French-made sunglasses sold under the VUARNET and VUARNET FRANCE marks.
- Board - Trademark Trial and Appeal Board.
- (A _____) - Joint Appendix, page(s) _____. Since these appeals are consolidated, the Appendix includes portions of both records of the two proceedings below. In most instances, the record entries are parallel. Where they are, citations to the Appendix will designate only the Cancellation action entry. Where the entries are not identical, the citation will designate the cancellation action entry and then the Opposition action entry.
- Symbol - Registration symbol, ®.

I. STATEMENT OF RELATED CASES

Appeal Nos. 89-1053 and 89-1079 were consolidated pursuant to this Court's Order of February 22, 1989. Appeal No. 89-1053 is from a decision of the Trademark Trial and Appeal Board granting partial summary judgment in Cancellation No. 16,128. Appeal No. 89-1079 is from a decision of the Trademark Trial and Appeal Board granting partial summary judgment in Opposition No. 75,373. Neither decision was published.

There is no other appeal from any decision in either proceeding before the Trademark Trial and Appeal Board below which was previously before this or any other appellate court under the same or similar title. There is no other case or proceeding known to counsel to be pending in this or any other court that will directly affect or be affected by this Court's decision in the pending consolidated appeal.

II. STATEMENT OF JURISDICTION

The jurisdiction of the Board in the proceedings below is based on 15 U.S.C. §1067.

Jurisdiction of this Court is based on 28 U.S.C. §1295(a)(4)(B) and 15 U.S.C. §1071(a), these consolidated appeals being from decisions of the Board in an opposition and in a cancellation proceeding.

Both appeals were timely under Fed. R. App. P. 4(a)(1), the notices of appeal having been filed September 30, 1988 following the entry of the Board's decisions on August 31, 1988.

III. STATEMENT OF THE ISSUES

Did the Board err in:

1. Holding, on summary judgment, that no genuine issue of material fact exists as to CNV's fraudulent intent in using the registration symbol in connection with the unregistered marks VUARNET and VUARNET FRANCE;

2. Holding, on summary judgment, that CNV was entitled to prevail as a matter of law on the misuse issue where it is undisputed that CNV made no effort to discontinue its use of the symbol after receiving notice of the misuse;

3. Applying a summary judgment standard allocating a burden of proof precluding Copelands' reliance on CNV's evidence to show the existence of an issue of fact, and requiring Copelands to rely only on its own evidence;

4. Failing to deny summary judgment or to order a continuance pursuant to Fed. R. Civ. P. 56(f).

IV. STATEMENT OF THE CASE

A. Nature of the Case

We are here to resolve a dispute over CNV's right to registration of the trademarks VUARNET and VUARNET FRANCE. The name VUARNET, which denotes the 1960 Olympian skier and gold medalist, Jean Vuarnet, is best known in connection with the French-made sunglasses sold under that name.

CNV, a U.S. corporation, was assigned the U.S. registration for the VUARNET mark by the French manufacturer, Pouilloux, and

is the applicant for the U.S. registration of the VUARNET FRANCE mark. CNV claims to be, under contract with Pouilloux, the exclusive U.S. distributor of VUARNET brand sunglasses made in France by Pouilloux.

Copelands is a U.S. corporation which operates a successful chain of retail sporting goods shops throughout California. Copelands has, in the past, carried VUARNET brand sunglasses made in France by Pouilloux and distributed by CNV and by others. Following CNV's complaints about pricing, refusal to supply product and threats of trademark infringement actions, Copelands filed a petition to cancel the VUARNET registration and has opposed CNV's application to register the VUARNET FRANCE mark.

B. Course Of Proceedings Below And The Board's Disposition

Copelands' petitions were filed on December 31, 1986. Each includes allegations that: (1) the applications for registration are void ab initio because CNV is not the exclusive distributor of sunglasses under the marks in the U.S.; (2) CNV has not filed the written consent of Jean Vuarnet to register the marks comprising his name as required by §2(c) of the Lanham Act; and (3) CNV has misused the registration symbol in connection with the marks.

CNV answered on March 23, 1987 and April 24, 1987, respectively. Discovery periods were scheduled. The parties exchanged written discovery requests. Copelands noticed the deposition of CNV and began negotiating the arrangement of the

deposition of Pouilloux. CNV noticed the deposition of Tom Copeland, an officer of Copelands.

Before discovery responses were exchanged, however, and before the scheduled deposition dates arrived, CNV moved on August 6, 1987 for summary judgment in both proceedings. That motion contested the merits and further asserted that the proceedings should be dismissed on the ground that Copelands lacked standing. (A 190-266; 268-342). CNV submitted with its motion four declarations, one from an officer of CNV, one from an officer of Pouilloux, one from CNV's trademark counsel and one from a French lawyer. Copelands opposed the motion on August 21, 1987 (A 346-475; 476AA-546), and submitted in support the declarations of Thomas Copeland, an officer of Copelands, Donald McKay Kennedy, a retailer of VUARNET brand sunglasses, as well as a number of exhibits.

The initial decisions in both proceedings, dated December 21, 1987 (A 567-72; 573-79), held that Copelands had proper standing. (A 569; 576) As to summary judgment, the Board provisionally granted summary judgment in favor of CNV, but allowed Copelands 30 days to file amended petitions at which point the Board would reconsider its initial decision. (A 571-72; 579). Copelands thereafter filed its First Amended Petitions. (A 580-594; 596-619).

In its decisions following consideration of the Amended Petitions, the Board revoked entirely its previous provisional grant of summary judgment on the ownership and §2(c) grounds,

holding that Copelands had sufficiently pleaded those grounds which, if proved, would entitle Copelands to the relief sought and that genuine issues of fact existed with respect to those causes of action. (A 625-27; 630-32). As to the claim of CNV's misuse of the registration symbol, however, the Board granted summary judgment in CNV's favor. (A 627; 631-32).

Copelands filed requests for reconsideration in both proceedings as to the grant of summary judgment in favor of CNV on misuse. (A 633-85; 705-58). The Board affirmed its decisions on reconsideration on August 31, 1988, clarifying that although Copelands had properly pleaded a claim for relief on misuse grounds upon which cancellation or opposition would be awarded if proved, (A 3-4; 13-14), no genuine issues of material fact existed as to misuse and, on the undisputed facts, no misuse could be shown. (A 4-10; 15-20).

It is from these August 31, 1988 decisions that Copelands appeals. CNV has not cross-appealed.

On November 22, 1988, CNV filed motions to dismiss the appeals on the ground that the Court lacks jurisdiction. Copelands opposed these motions on December 4, 1988. The Court, by its Order of December 12, 1988, invited the Commissioner of Patents and Trademarks to file an amicus brief addressing the jurisdictional issue. The Commissioner did so on January 6, 1989. Its Order of February 1, 1989, the Board deferred its decision on the motions to dismiss for consideration by the merits panel and ordered Copelands to file its brief on the

merits within 30 days. On February 14, 1989, CNV filed a Suggestion For Reconsideration In Banc of the jurisdictional issue.

Copelands' position regarding the jurisdictional issue is fully set forth in its brief opposing the motion to dismiss.

V. STATEMENT OF FACTS

Copelands operates several high-quality retail sporting goods stores throughout California. Copelands carries, among other things, well-known brands of ski equipment and accessories. In 1979, Copelands began carrying VUARNET brand sunglasses, manufactured in France by a French company, Pouilloux. In the beginning, Copelands purchased the sunglasses from Schwarz, CNV's alleged predecessor. Commencing in about May, 1981, Copelands purchased them from CNV. Because CNV was unable to supply Copelands with all the VUARNET sunglasses it required to satisfy the customer demand, however, Copelands turned to other sources of VUARNET sunglasses while continuing to purchase from CNV. (A 397-99).

Thus, up until late 1982, Copelands purchased VUARNET sunglasses made in France by Pouilloux from CNV as well as from other suppliers located in the United States. At least one of these other sources represented itself as an authorized distributor of VUARNET sunglasses manufactured by Pouilloux in France. (A 399).

In late 1982, CNV communicated to Copelands that CNV was dissatisfied with Copelands' competitive selling price which was lower than CNV liked, and would no longer supply Copelands with VUARNET sunglasses. Thus, CNV cut Copelands off. Copelands continued to purchase VUARNET sunglasses from its other sources until April, 1986. (A 400).

During this period, on February 3, 1983, CNV, through its law firm of Paul, Hastings, Janofsky & Walker, sent a letter to Copelands, formally accusing Copelands of "federal trademark infringement" of the mark VUARNET. The letter states that CNV

"is the exclusive proprietor in the United States of the renowned trademark "Vuarnet." As such, it has the sole right to use and control the use of the federally registered trademark "Vuarnet"."

The letter further charges Copelands with

"infringement of our client's federally protected trademark rights. . . ."

(Emphasis added.) (A 395-96).

The letter was signed by Michael K. Lindsey, Esq. on behalf of CNV. (A 396).

As of the date of this letter, the mark VUARNET was not a federally registered mark. An application for the mark VUARNET FRANCE was not yet filed in the Trademark Office. Also, contrary to CNV's claim of exclusive proprietorship, at that time others were freely importing and selling VUARNET sunglasses, obtained by Pouilloux, in the United States in competition with CNV. (A 398-99, 404-05).

In response to CNV's letter, Copelands hand delivered a letter dated February 23, 1983 directly to Mr. Lindsey. This letter pointed out the discrepancy between the assertions of the February 3, 1983 letter and the Federal Register, and furthermore gave CNV express and unequivocal notice of its misuse of the registration symbol in connection with the unregistered marks VUARNET and VUARNET FRANCE, and the serious consequences thereof. The letter states in pertinent part:

Our preliminary investigation has disclosed that the [statement regarding federal registration] is untrue and is an intentional misrepresentation of your client's rights. Further, we consider the representation that CNV, Inc. is the owner of the registered trademark VUARNET to be fraudulent, and, in fact, a violation of 15 U.S.C. §1111.

* * *

In conducting our preliminary research on this matter, we have located some sales brochures and related materials printed and distributed by your client. These materials have the mark VUARNET affixed thereto together with the notice of registration shown by the symbol ®. Copies thereof are attached for informational purposes.

We consider the position taken by your client in your letter of February 3, 1983, and the improper use of the notice of registration as a concerted, intentional and fraudulent effort to deceive the public and our client about the user's rights. This position is corroborated by other notices of infringement served upon other third parties.

The above usage and marking of the goods with a notice of registration by use of the symbol ® is a fraudulent misuse of the mark and subjects the mark to cancellation, if registered, and will support a refusal to register. We call your attention to the case of Fox-Stanley Photo Products, Inc. v. Otaguro, 339 F. Supp. 1293 (D. [Mass.] 1972),

174 USPQ 257, where the Court held that misuse of notice of registration of a mark was unclean hands so as to bar registration.

The Trademark Manual of Examining Procedure at Section 902.03 provides that fraudulent intent and purpose in using a federal registration symbol is a basis for refusal of registration. Thus, we believe that the pending application can be opposed for registration for the above reasons.

* * *

We hereby demand that you promptly and immediately cease and desist from using the notice of registration of the mark VUARNET by use of the notice of registration symbol * and that you promptly advise the Examiner in charge of United States Trademark Application Serial No. 403,393 of the intentional and fraudulent misuse of the pending mark.

(A 421-24). The letter enclosed examples of CNV's use of the * symbol in connection with the VUARNET and VUARNET FRANCE marks dating back to 1982.

Mr. Lindsey acknowledges that he received this letter and that he advised his client of the same. (A 393-94). Continuing in his role as trademark counsel for CNV, Mr. Lindsey was substituted in as prosecuting attorney of record for Pouilloux for the mark VUARNET, as of March 20, 1983 (A 426), and filed CNV's application for registration of VUARNET FRANCE on May 13, 1985. (A 462-67).

Copelands did not receive a reply from CNV following its February 23, 1983 letter. (A 401). CNV did not notify the Examiner in charge of Serial No. 403,393 VUARNET of the misuse on the specimens submitted for registration or otherwise. Most importantly, it is undisputed that CNV did nothing at all to

cease the fraudulent misuse of the symbol in connection with the marks VUARNET and VUARNET FRANCE.

Mr. Lindsey's declaration is glaringly devoid of any explanation of events occurring after he had forwarded Copelands' letter to his client. (A 393-94). CNV's officer's declaration establishes that Copelands' notice letter was received (A 239), but ignored. CNV claims that upon receipt of the letter, rather than ask Mr. Lindsey about it, CNV asked an officer of Pouilloux, in France, what he, a French businessman, thought about it. (A 239). The Frenchman asked his business partner, also a Frenchman and also not a lawyer, what he thought. They agreed among themselves that Copelands was being silly. (A 247-48). And that was the end of the analysis. Their agreement hardly constitutes a good faith investigation and response to the misuse of the symbol. CNV presents no evidence that it sought advice of counsel. CNV presents no evidence that its counsel advised CNV as to Copelands' letter respecting United States trademark law. CNV presents no evidence that it read the authorities cited in Copelands' letter. Rather, CNV and its counsel, having received notice, buried their heads in French sand.

After receiving notice from Copelands, Mr. Lindsey proceeded to prosecute the VUARNET application and CNV continued to use the symbol in connection with the VUARNET and VUARNET FRANCE marks for a year and three months until the VUARNET mark was registered on May 8, 1984. Mr. Lindsey subsequently filed an application for VUARNET FRANCE on May 13, 1985. CNV continues to use the

symbol to the present date in connection with the VUARNET FRANCE mark, despite the fact that it is not registered.

On November 12, 1985, CNV registered VUARNET with U.S. Customs. (A 458). In April, 1986, U.S. Customs seized a shipment of approximately 730 pairs of genuine VUARNET sunglasses shipped from Europe and intended for Copelands. (A 401-02, 425). These sunglasses had been purchased in Europe from Pouilloux. (A 401). The letter from Customs advising Copelands of the detention indicates that the mark relied upon by CNV, who instigated the seizure, was the registered mark VUARNET. (A 425). As a direct result of the seizure, Copelands lost its shipment worth \$20,000 and the profits Copelands could have made from the resale thereof. (A 402). In addition, Copelands suffered tremendous negative publicity from the seizure, as a direct result of newspaper and magazine articles initiated by CNV which accused Copelands of the crime of counterfeiting and otherwise damaged its reputation by insinuating Copelands had violated the law.^{1/} (A 402).

^{1/} The parallel imports intended for Copelands were by no means illegal. The Supreme Court recently upheld the Customs Service exception to §526 of the Tariff Act for mere conduit relationships such as that which exists between CNV and Pouilloux. Thus, such imports are not contrary to the Tariff Act. See K-Mart Corp. v. Cartier, 108 S.Ct. 1811, 100 L.Ed.2d 313, 56 USLW 4478, 6 USPQ 2d 1897 (1988). Furthermore, the legality of grey market imports under substantive trademark law is one of continuing oscillation. Compare, Weil Ceramics & Glass, Inc. v. Dash, 618 F. Supp. 700, 227 USPQ 737 (D.N.J. 1985) with Olympus Corp. v. United States, 792 F.2d 315, 230 USPQ 123 (2d Cir. 1986).

On December 31, 1986, Copelands filed its petitions before the Board to cancel the VUARNET registration and to oppose registration of the mark VUARNET FRANCE. On CNV's motion for summary judgment, the Board held that no genuine issue of material fact existed as to misuse, and that CNV was entitled to judgment in its favor on that particular ground.

VI. SUMMARY OF COPELANDS' ARGUMENT

"The intentional use of the registration symbol in connection with a mark that has not been registered in an attempt, actual or implied, to mislead others that the mark is registered defeats the right of registration."

Knorr-Nahrungmittel v. Havland Int'l., Inc., 206 USPQ 827, 833 (TTAB 1980). A showing that the symbol has been used in connection with an unregistered mark establishes a prima facie case of fraud on the public. Sauguoit Paper Co. v. Weistock, 46 F.2d 586, 587 (CCPA 1931). Thus, such symbol "misuse" gives rise to a presumption that the symbol has been used with fraudulent intent. The burden of proof thereafter shifts to the misuser to show, if it can, that there was no fraud on the public in its use of the symbol. Id. A showing of no fraud, requires a showing of (1) the absence of a fraudulent intent to deceive, and (2) that efforts were made to discontinue the misuse after notice. Knorr-Nahrungmittel v. Havland Int'l., Inc., 206 USPQ 827, 833 (TTAB 1980).

It appears that the standard of fraud on the public in the symbol misuse context has developed apart and somewhat differently from the law relating to inequitable conduct before the Patent and Trademark Office. Compare Sauguoit Paper Co. v. Weistock, 46 F.2d 586, 587 (CCPA 1931) with Torres v. Cantine Torresella, 808 F.2d 46, 48 (Fed.Cir. 1986). Thus, Professor McCarthy states that the failure to take any steps to prevent or discontinue misuse after notice can constitute such gross negligence as to rise to the same level as intentional fraud so as to defeat the right of registration. See J.T. McCarthy §19:54 (2d Ed. 1984). The Board noted the same in its opinions at footnotes 4 and 5 respectively. (A 8; 18). Indeed, such a failure to discontinue the misuse after notice was found to defeat the right of registration in Libbey-Owens-Ford Glass Co. v. Pastron, Inc., 80 USPQ 591, 592 (Comm'r Pat. 1949) and in Gillette Safety Razor Co. v. Standard Safety Razor Corp., 27 USPQ 46, 48-49 (Comm'r Pat. 1935). See also Four Roses Products Co. v. Small Grain Distilling & Drug Co., 29 F.2d 959, 959-60 (D.C.Cir. 1928); Weil & Durrse v. United Piece Dye Works, 70 USPQ 36, 37 (Comm'r Pat. 1946).

However, we believe that even under the present standards applicable to fraud in the procurement of a trademark, CNV committed fraud since it continued the misuse having knowledge of the unregistered status of its marks and of the impropriety of its use of the symbol in connection therewith. See Torres v. Cantine Torresella, 808 F.2d 46, 48 (Fed.Cir. 1986).

In this case, it is undisputed that CNV used the symbol in connection with unregistered marks. Copelands has thus established its prima facie case and the burden shifts to CNV to disprove fraud by showing both a lack of an intent to deceive and efforts to discontinue the misuse after notice. It is undisputed that CNV made no effort to discontinue the misuse after notice. On this point alone, it is clear that CNV is not entitled to judgment in its favor. Knorr-Nahrmittel v. Havland Int'l. Inc., 206 USPQ 827, 833 (TTAB 1980). The Board erred in ignoring this undisputed fact and in holding that CNV was entitled to judgment as a matter of law.

Furthermore, a genuine issue of fact exists as to whether CNV's intent in using the symbol was fraudulent. CNV asserted two reasons for its misuse. The first, that it believed the mark was registered in the U.S., is not a legally cognizable defense, particularly when the misuse continued after notice that the mark was not registered. The second, that the symbol designated CNV's French and Madrid convention registrations is belied by Copelands' evidence showing that CNV used the symbol even before those registrations issued. This defense also was obviated after CNV was put on notice. The Board erred in failing to recognize that the evidence gave rise to a genuine issue as to CNV's intent in using the symbol, a fact material to misuse. Summary judgment is appropriate only when there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law. Fed.R.Civ.P. 56. Intent is a highly factual

matter rarely suitable for determination on summary judgment. The Board erred in failing to construe all reasonable inferences in Copelands' favor and in erroneously allocating the burden of proof on summary judgment by not giving weight to Copelands' own evidence and inferences resulting from that evidence to create an issue of fact and faulting Copelands for pointing to CNV's own evidence as creating an issue of fact.

In opposing CNV's motion for summary judgment, Copelands requested that the Board deny summary judgment or continue the motion under Rule 56(f) so that Copelands would be afforded an opportunity to conduct discovery regarding, inter alia, CNV's intent in its use of the registration symbol. Copelands established in its declaration that it had not had an opportunity to depose CNV, or any of CNV's declarants. The issue of CNV's intent is heavily dependent on underlying facts uniquely in the possession of CNV. The Board committed clear error in refusing Copelands' request to continue the hearing on the summary judgment motion until the declarants had been deposed under Rule 56(f).

VII. ARGUMENT

A. The Board's Failure to Recognize The Existence of a Genuine Issue As To The Material Fact of CNV's Intent Was Clear Error

1. Misuse Can Operate To Defeat The Right Of Registration

To clearly understand the error of the Board's holding, it is significant in this case to emphasize what the Board did not hold. The Board did not hold that Copelands had failed to state a claim upon which relief could be granted or that misuse was not a valid basis for cancellation of or opposition to a registration. The Board made this clear in its August 31, 1988 decisions.

"Both of our prior decisions in this case recognized, at least implicitly, that relief could be granted as a result of a misuse of the registration notice. See, e.g. Johnson Controls, Inc. v. Concorde Battery Corp., 228 USPQ 39, 44 (TTAB 1985) and cases cited there. . . . Any statement in our prior rulings that inadvertently suggests a contrary holding should be disregarded. We believe that [Copelands] has, in this regard, stated a claim that, if proved, would entitle [Copelands] to relief, namely a claim that [CNV] has misused the registration notice."

(A 3-4; 13-14).

This portion of the Board's ruling is absolutely correct. What is to be determined in this appeal is whether the Board erroneously decided that this case does not present facts entitling Copelands to relief.

In reviewing the Board's grant of summary judgment, this Court must review the record, and determine "whether the evidence is genuinely conflicting on material issues of fact and, if not, whether the movant is entitled to judgment on those facts." Avia Group Intern. Inc. v. L.A. Gear California, 853 F.2d 1557, 1561, 7 USPQ 2d 1548, 1552 (Fed.Cir. 1988). To overturn summary

judgment, Copelands need only show that one or more of the facts on which the Board relied was genuinely in dispute and was material to the judgment. *Id.* at 1561-1562. This Court determines for itself whether the summary judgment standard of Rule 56 has been met; it is not bound in any respect by the Board's ruling that there was no material factual dispute. Armco, Inc. v. Cyclops Corp., 791 F.2d 147, 149, 229 USPQ 721, 722-23 (Fed.Cir. 1986).

Below, we have set forth a discussion of the law of misuse, the burdens of proof involved and the evidence presented by the parties.

2. The law of misuse

It was held in Sauquoit Paper Co., Inc. v. Weistock, 46 F.2d 586 (CCPA 1931), that use of the registration symbol in connection with an unregistered mark creates a prima facie case of fraud on the public. *Id.* at 587. Such a showing gives rise to a presumption that the symbol has been so used with fraudulent intent. Sauquoit Paper Co. v. Weistock further held that the burden is on the misuser to show, if it can, that the misuse was due to mistake and that there was no fraud in the use of the symbol. *Id.* Knorr-Nahrungmittel v. Havland Int'l., Inc., 206 USPQ 827, 833 (TTAB 1980) states that the presumption of fraudulent intent is disproved by a showing of (1) no intent to deceive and (2) an effort to discontinue the offending use after notice.

A determination of fraudulent intent is not determined solely upon the applicants' self-serving statements of its

subjective belief, but is based on applying the applicable law to all the surrounding circumstances.

"[R]eversal is still required if the [Board] engaged in a faulty legal analysis in applying the law to the facts and a correct application of the law to those facts might bring a different result."

P.M. Palumbo v. Don-Joy Co., 762 F.2d 969, 974, 226 USPQ 5, 7 (Fed. Cir. 1985). Accord, Howes v. Medical Components, Inc., 814 F.2d 638, 643, 2 USPQ 2d 1271, 1273 (Fed. Cir. 1987). The law applicable to misuse reveals that the determination of fraudulent intent is highly factual and is dependent on the following factors:

- (1) the applicant's asserted reason for the misuse;
- (2) whether the applicant had notice of the misuse;
- (3) whether the applicant discontinued the misuse after notice; and
- (4) whether the applicant's attorney had knowledge of the misuse.

See, e.g., Sauguoit Paper Co., Inc. v. Weistock, 46 F.2d 586, 587-88 (CCPA 1931) (misuse excused where it occurred for only a short period and ceased); Four Roses Products Co. v. Small Grain Distilling & Drug Co., 29 F.2d 959, 959-69 (D.C.Cir. 1928) (registration refused where applicant used the symbol with knowledge that the mark was unregistered); Johnson Controls, Inc. v. Concorde Battery Corp., 228 USPQ 39, 44 (TTAB 1985) (misuse excused where applicant explained use as inadvertent and discontinued use after notice); Shoe Factory Supplies v. Thermal

Engineering Co., 207 USPQ 517, 523 n. 5 (TTAB 1980) (misuse held excusable where applicant's counsel was unaware of such use and where misuse was discontinued); Knorr-Nahrungsmittel Akg. v. Havland International, Inc., 206 USPQ 827, 833 (TTAB 1980) (misuse excused where use was inadvertent and was discontinued after notice); Libbey-Owens-Ford Glass Co. v. Plastron, Inc., 80 USPQ 591, 592 (Comm'r Pat. 1949) (registration refused where applicant took no steps to discontinue misuse after it had notice of the misuse); Weil & Durrse v. United Piece Dye Works, 70 USPQ 36, 37 (Comm'r Pat. 1946) (registration refused where applicant's purported reason for the misuse was contradicted by the evidence); Gillette Safety Razor Co. v. Standard Safety Razor Corp., 27 USPQ 46, 48-49 (Comm'r Pat. 1935) (registration refused where applicant had knowledge that the mark was unregistered and lied about discontinuing the misuse); The Ohio Hydrant & Supply Co. v. John Herzog & Son, 2 USPQ 62, 62-63 (Comm'r Pat. 1929) (registration refused where applicant had knowledge that the mark was not registered).

Clearly the determination of whether the misuse was intentional or fraudulent is highly factual, and is dependent on the foregoing factual considerations. As such, it is rarely appropriate for summary judgment.

"Intent is a factual matter which is rarely free from dispute. . . ."

Albert v. Keveex Corp., 729 F.2d 757, 763, 221 USPQ 202, 207 (Fed. Cir. 1984), aff'd by reh'g, 741 F.2d 396, 223 USPQ 1 (Fed. Cir. 1984).

Inasmuch as intent may be critical in this case, cutting off Copelands' right to a trial on the issue was error. Id. In Kwik-Kopy Franchise Corp. v. Dimensional Lithographers, 165 USPQ 397 (TTAB 1970), the Board denied a motion for summary judgment on the issue of misuse, stating that misuse:

"cannot serve as a basis for entry of summary judgment for the reason that the intent necessary to constitute such a fraudulent act is a question of fact."

Id. at 398.

3. The burden of proof

It is undisputed that CNV used the symbol in connection with the VUARNET and VUARNET FRANCE marks.^{2/} Thus, the prima facie case of fraud upon the public under Sauguoit is established. The burden of proof thus shifted to CNV to rebut the showing of fraud by submitting a showing on both of the factors enumerated in Knorr-Nahrmittel. CNV was unable to show any cessation of its use of the symbol after notice of the

^{2/} The declaration of Thomas Copeland and Copelands' documentary evidence submitted to the Board (A 399 431-47, 449) establishes that not only did CNV use the symbol on price lists, letterhead, packaging and trade show displays as early as March 1982, it sent out aggressive cease and desist letters to those in the trade asserting that VUARNET was a "federally registered trademark." The declaration of Mr. Lindsey submitted by CNV confirms that CNV sent such a cease and desist letter to Copelands (A 241) and the declarations of Peter Mentges and Joseph Hatchiguian submitted by confirm that CNV "always" used the symbol. (A 238, 247-48).

misuse. This alone entitles Copelands to prevail as a matter of law as is discussed in section B, *infra*. The cessation issue aside, however, CNV was also unable to make a sufficient showing that it used the symbol without an intent to deceive.

As the movant and as the party with the burden of proof to rebut the *prima facie* case of fraud, on summary judgment^{3/}, the burden was on CNV to establish the absence of a genuine issue as to any fact material to disproving fraud, including the lack of an intent to deceive.

"It goes without saying that summary judgment is properly granted only where there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law. Fed.R.Civ.P. 56. The moving party bears the burden of establishing the absence of any genuine issue of material fact. . . . The party opposing the motion is required merely to point to an evidentiary conflict created on the record. . . all the evidence [must be viewed] in a light most favorable to the opponent (or non-movant) and. . . all reasonable inferences [must be drawn] in its favor. . . . In sum, all significant doubt over pertinent factual issues must be resolved in favor of the party opposing summary judgment."

Armco, Inc. v. Cyclops Corp., 791 F.2d 147, 149, 229 USPQ 721, 722-23 (Fed. Cir. 1986).

"[I]f the evidentiary matter in support of the motion for summary judgment does not establish the absence of a genuine issue, summary judgment must be denied even if no opposing evidentiary matter is presented."

^{3/} Federal Rule of Civil Procedure 56 is made applicable to the Board by 37 C.F.R. §2.116(a).

Broomhall Industries, Inc. v. Data Design Logic Systems, Inc.,
786 F.2d 401, 405, 229 USPQ 38, 41 (Fed. Cir. 1986).

CNV failed to meet its burden to establish that it lacked an intent to deceive in its use of the symbol. As developed below, CNV's own evidence was conflicting and raised an issue of fact. The Board erroneously resolved a number of disputed factual issues against Copelands. The Board erroneously ignored evidence, which, when considered in view of the law, created a factual dispute. Let us turn to what CNV's four declarations contained.

4. The evidence

CNV's four declarations recounted, in various forms and in different voices, CNV's "excuse" for its use of the symbol before the marks were registered. They also purport to "explain" what happened after receiving notice of the misuse from Copelands. The facts offered to support CNV's "excuse" run like this:

1. CNV's trademark counsel, Mr. Lindsey, prepared the cease and desist letter dated February 3, 1983 (A 241) which was hand delivered to Copelands and demanded under threat of prosecution for "federal" trademark infringement that Copelands immediately cease all sales of VUARNET sunglasses and retain all existing inventory for disposition by CNV. At that time, Copelands was making sales worth hundreds of thousands of dollars per year of VUARNET sunglasses made in France by Pouilloux, and had a substantial inventory and investment therein. (A 401).

2. Mr. Lindsey had not bothered to check the grounds upon

which the threat was based. He states, in his declaration: "At the time I sent that letter, it was my understanding that the mark VUARNET had already been registered. . . ." (A 241). Mr. Lindsey presented no basis for that "understanding."

3. Mr. Lindsey personally received Copelands' written response dated February 23, 1983 (A 242). This letter gave clear and unequivocal notice to CNV of its misuse of the symbol * in connection with the VUARNET and VUARNET FRANCE marks. The letter contains specific citations to authorities supporting the same. (A 421-24). From that point in time, CNV had knowledge of the misuse and the false representations and could not possibly thereafter rely on its innocent ignorance.

4. Yet CNV does. Mr. Lindsey sent a copy of Copelands' letter to CNV and advised his client that indeed the mark was unregistered in the U.S. (A 242). Mr. Lindsey thereafter apparently ignored the authorities cited in the letter and never communicated with his client regarding the matter again (despite the fact that he began to prosecute the VUARNET mark through the Patent and Trademark Office approximately one month later). (A 426).

5. Upon receipt of the letter from Mr. Lindsey, CNV did not seek his advice, but rather asked some French businessmen and opticians what they thought. (A 239).

6. The Frenchmen did not obtain an opinion from Mr. Lindsey, engaged on March 20, 1983 to prosecute the U.S. application for VUARNET (A 426) or anyone else, but simply chose

to agree among themselves that they could lawfully continue using the registration symbol in the U.S., as a symbol of foreign registration, even though they now knew that no U.S. registration existed. (A 248).

7. CNV never replied to the letter. (A 401).

8. CNV never made any effort to discontinue the misuse.

9. Mr. Lindsey proceeded to prosecute the U.S. application for the VUARNET mark which, one year and three months later, ripened into registration, but never advised his client that the use of the registration symbol in the U.S. was premature, deceptive or unlawful. (A 241-42).

Opposing the summary judgment motion, without the benefit of discovery,^{4/} Copelands submitted evidence of CNV's use of the symbol dating back to March 1982, prior to any foreign registration relied upon by CNV. (A 433-38). Copelands further submitted the February 3, 1983 cease and desist letter from CNV threatening suit for federal trademark infringement. (A 419-20). Copelands submitted its letter of February 23, 1983, putting CNV on notice of the misuse (A 421-24), and samples showing CNV's continued use of the symbol thereafter. (A 432, 439-47, 449). The declaration of Thomas Copeland attests to his knowledge and understanding of the symbol used by CNV and his initial deception by CNV's February 3, 1983 letter. (A 399).

^{4/} Copelands' request for relief under Rule 56(f) and its treatment by the Board is discussed in section D, *infra*.

Copelands further pointed to the inconsistencies in CNV's declarations regarding what CNV intended to designate by use of the symbol and its intent in continuing to use the symbol after notice.

As set forth below, the Board not only failed to recognize the existence of genuine issues of material fact, but also engaged in faulty legal analysis. See Howes v. Medical Components, Inc., 814 F.2d 638, 643, 2 USPQ 1271, 1273 (Fed. Cir. 1987); P.M. Palumbo v. Don-Joy Co., 762 F.2d 969, 974, 226 USPQ 5, 7 (Fed. Cir. 1985).

We now turn to a discussion of the Board's treatment of the relevant facts.

5. The reason for CNV's use of the symbol in the U.S. creates an issue of fact.

CNV asserted two reasons for using the symbol in the U.S. One was that it designated foreign registration of the mark. (A 238-40, 248-50, 251). CNV relied on the Declaration of Peter Mentges to show that prior to the May 8, 1984 U.S. registration date of the VUARNET mark, CNV's use of the registration symbol was based on "various" foreign registrations and thus was a result of "honest" and "sincere" belief and was done with no intention of deceiving or misleading anyone. (A 239-40, 248-49). In opposing Copelands' request for reconsideration, CNV presented a "supplemental" declaration of Yves Marcellin, the french lawyer, stating that the mark VUARNET was registered in France on

September 6, 1982 and under the Madrid Convention on December 2, 1982. (A 782-83, 795-99).

The other was reason that it "believed that the mark VUARNET was . . . registered in the United States." (A 238).

The Board apparently accepted both explanations.

"After a review of the record before us, we are persuaded that there are no genuine issues of material fact regarding applicant's use of the registration notice prior to registration of the mark "VUARNET" in the United States. Applicant's statements regarding its mistaken belief and that it had no intent to deceive stand unrebutted. The mark "VUARNET" was registered in France as of September 6, 1982 and moreover, applicant believed up until February 1983 that the mark was registered in the United States. Furthermore, upon receipt of opposer's counsel's letter regarding the alleged misuse of the registration notice, applicant's inquiries led it to believe that the notice designated registration of the mark in France and other countries. Thus, applicant continued such use and, according to its affidavits, applicant was not intending to deceive or mislead the public or the Office. Rather, applicant apparently was merely following the instructions of the manufacturer of the goods."

(A 8-9; 18-19).

There are several errors in relation to the Board's reliance on CNV's purported reasons in its holding.

First, the Board stated:

"an explanation of mistaken belief that a foreign registration justifies use of the registration notice has been accepted to preclude a holding of fraud[.]"

citing TMEP §902.05. (A 4; 14). TMEP §902.05 does not, however, apply to CNV's excuse. That section states:

"Some countries other than the United States informally recognize the use of the * to designate registration in their respective countries. When a foreign applicant's use of such symbol on the specimens is based on a registration in a foreign country, such use will not be regarded as improper."

(Emphasis added.) This TMEP section on its face narrowly applies only to the propriety of specimens submitted by applicants for purposes of registration and by no means governs the actual and rampant use of the symbol in U.S. commerce. The Board's reliance thereupon, therefore, was misplaced.

TMEP §902.05 and the Office's "acceptance" of such uses, moreover, extends only to those instances where the use is based on an innocent, mistaken belief. Therefore, it does not operate to excuse one who has been placed on notice of the misuse. Indeed, the Board acknowledged the narrow application of TMEP §902.05 as follows:

"We also note the language in our December 21, 1987 decision that use of the registration symbol to indicate registration in other countries is 'acceptable.' It is our view that such use is 'not improper' and 'acceptable' to the extent that the Office readily accepts explanations of inadvertence or lack of intent to deceive. Thus, in this case, use of the registration notice in connection with the mark "VUARNET" prior to federal registration in May 1984 was technically improper."

(A 5: 15).

Furthermore, whereas use of the registration symbol on specimens in the mistaken belief that one may properly do so to indicate foreign registration may be excusable under TMEP

§902.05, use of the symbol in the U.S. based on a mistaken belief that the mark is registered in the U.S. is not. It is not enumerated in §902.05, nor should it be. The Board, nor CNV cited case law or other authority to support the "excuse" that CNV "thought the mark was registered in the U.S." when it was not. The Board's faulty legal analysis in applying the law to the facts where a correct application might bring a different result, P.M. Palumbo v. Don-Joy Co., 762 F.2d 969, 974, 226 USPQ 5, 7 (Fed. Cir. 1985), requires reversal.

Regardless, however, of any mistaken belief CNV may have had prior to February 23, 1983, such mistake was obviated upon receive of Copelands' notice letter, informing CNV that use of the symbol was improper, and upon Mr. Lindsey's advice regarding the same. Mr. Hatchiguian's declaration states:

"At or about the end of February or the beginning of March, 1983, Roger Pouilloux and I were contacted by Peter Mentges, founder and chairman of the Board of CNV. Mr. Mentges told us that he had been informed by his legal counsel, Michael K. Lindsey, that Mr. Lindsey had just become aware of the fact that the mark VUARNET had not yet been registered with the United States Patent and Trademark Office, although Pouilloux was then currently using the circled R next to the mark VUARNET and CNV was using the same circled R next to the term VUARNET inside of a rectangular box as part of its logo VUARNET FRANCE V AND DESIGN ("VUARNET FRANCE")."

(A 238).

The only reasonable inference to be drawn from this statement of Mr. Hatchiguian is that he was thereafter put on notice of the impropriety of the use of the symbol in the U.S.

Being on notice, he necessarily followed one of two courses of action: (1) he consulted a lawyer, such as Mr. Lindsey, was advised of the impropriety, and so being advised, deliberately continued the misuse with an intent to deceive; or (2) he failed to consult a lawyer or otherwise investigate the contents of Copelands' letter. Either situation gives rise to fraud. See Torres v. Cantine Torresella, 808 F.2d 46, 48 (Fed.Cir. 1986) (registrant knew or should have known of the falsity of the misrepresentations).

The Board's failure to draw such a reasonable inference from Mr. Hatchiguan's declaration was error. Error lies where "inferences contrary to those drawn by the trial court might be permissible." P.M. Palumbo v. Don-Joy Co., 762 F.3d 969, 976, 226 USPQ 5, 7 (Fed. Cir. 1985) (emphasis added).

Second, the Board's reliance on CNV's foreign registration conflicts with Copelands' evidence which shows that CNV used the symbol prior to the date of the foreign registrations relied upon by CNV as providing the basis for its use of the symbol. In its opposition to Copelands' Request for Reconsideration, CNV submitted a supplemental declaration of Mssr. Marcellin which states that Pouilloux obtained a French registration for VUARNET on September 6, 1982 and a registration under the Madrid Convention on December 2, 1982. (A 782-83, 795-99). Copelands submitted evidence showing CNV's use of the symbol, however, as early as March, 1982, and on 1982 price lists which undoubtedly were distributed at least in early 1982, if not before. (A 433-

38). CNV provided no explanation for its use of the symbol prior to the issuance of foreign registrations. Where the misuser's purported reason or explanation does not comport with the evidence, registration must be refused. Weil & Durrse v. United Piece Dye Works, 70 USPQ 36, 37 (Comm'r Pat. 1946)

In Weil & Durrse, registration was refused due to misuse when, during the course of an opposition proceeding, it became apparent that the applicant had continued to use the symbol after notice. The applicant attempted to excuse the misuse with a declaration from an employee of applicant stating that the misuse was "inadvertent" and had ceased. The specimens accompanying the application, however, were identical to the offending samples submitted by the opposer, except that the symbol portion had been neatly cut out. The inference drawn from this fact was that the applicant had not ceased the misuse and had not used the symbol inadvertently. Id. at 37.

CNV's use of the symbol prior to the date of the foreign registrations it allegedly relies upon raises an issue of fact as to CNV's reason for its use of the symbol. The Board's failure to recognize that CNV used the symbol prior to the date of its foreign registration, and its failure to draw the inferences that, therefore, CNV was not relying on foreign registrations in using the symbol, in Copelands' favor, was clear error. The Board was obligated to "resolve all doubt over factual issues in favor of the party opposing summary judgment." SRI Int'l. v.

Matsushita Electric Corp., 775 F.2d 1107, 1116, 227 USPQ 577, 581 (Fed. Cir. 1985).

Furthermore, that CNV intended the symbol to designate foreign registrations is also belied by the fact that not only did CNV use the registration symbol on packaging, letterhead, trade show displays, advertisements, etc., but the misrepresentation took another form in the form of aggressive cease and desist letters of the type received by Copelands. (A 243-44). This letter asserts that CNV owns the "federally registered" mark VUARNET and clearly has no reference to foreign registrations. It is clear by the tone of CNV's February 3, 1983 letter to Copelands that CNV's intent in using the * symbol and continuing to use it after notice was to represent to Copelands that the VUARNET and VUARNET FRANCE marks were covered by the federal statutory protection conferred by the Lanham Act upon registration, when in fact they were not.

Because there was evidence on both sides as to whether CNV intended the symbol to designate U.S. or foreign registration, and as to whether CNV's asserted belief that the symbol designated foreign registration was honest, the Board erred in resolving the designation issue of fact in favor of CNV. See Armco, Inc. v. Cyclops Corp., 791 F.2d 147, 151, 229 USPQ 721, 724 (Fed. Cir. 1986).

The Board acknowledged the evidence of CNV's mistaken belief as to the status of the U.S. registration as well as that attempting to establish that CNV's real intention was to

designate foreign registration, but it failed to acknowledge the inconsistency of the two. (A 8; 18). It cannot be one or the other with subjective intent. If a party intends a symbol to designate U.S. registration, it is the simplest thing in the world to check and see if that party in fact owns a U.S. registration. Thus, if CNV intended the symbol to designate U.S. registration in the mistaken belief that the mark was registered such a mistake is not excusable without a good reason for why such a belief was formed, which reason CNV has not provided. If CNV intended the symbol to designate foreign registration, then why would it have sent out cease and desist letters in the U.S. threatening suit for federal trademark infringement? Regardless of which was CNV's intention, either mistaken belief dissipated upon receipt of notice and was not innocent thereafter because CNV had a duty to investigate.

6. CNV's conduct after receiving notice of the misuse and its failure to discontinue the misuse raises a genuine issue of material fact as to CNV's fraudulent intent.

Even if the Board is correct in stating that CNV had an honest, mistaken belief that its use of the registration symbol designated foreign registrations and that such a mistaken belief was proper, an issue of fact remains as to whether CNV had such an "honest mistaken belief" after it received notice of the misuse in February, 1983. The Board's opinion addresses the affect of this notice on CNV's actions as follows:

"[U]pon receipt of opposer's counsel's letter regarding the alleged misuse of the registration

notice, applicant's inquiries led it to believe that the notice designated registration of the mark in France and other countries. Thus, applicant continued such use and, according to its affidavits, applicant was not intending to deceive or mislead the public or the office. Rather, applicant apparently was merely following the instructions of the manufacturer of the goods."

(A 8-9; 18-19). In a footnote, the Board made the following observation:

"Applicant undoubtedly would have been better advised had it sought counsel's advice, although it is noted that it was counsel who forwarded opposer's letter to applicant. It is unclear as to why counsel at that time did not advise his client regarding proper use of the registration symbol. See: McCarthy, *supra*, at §19:54. Nevertheless, we do not believe that an issue of material fact is raised thereby."

(A 8: 18). The Board's casual dismissal of the fact of CNV's notice conflicts with established case law on this point, as well as the specific authority cited by the Board in this footnote.

In Libbey-Owens-Ford Glass v. Plastron, Inc., 80 USPQ 591, 592 (Comm'r Pat. 1949), in the course of an opposition proceeding, it was brought to the Commissioner's attention that the applicant therein had used the registration symbol in connection with its yet unregistered mark and had continued to use it after being informed that such use was improper.

"It seems apparent that [the misuse] was called to the applicant's attention in another proceeding some time in 1947, and

that it was again brought up in this case. In spite of this notice applicant has continued to use this improper marking. . . . Applicant's conduct in this case indicates not only that it had no valid reason for having used this legend, but that it has continued to use it and, so far as appears from either the record, brief, or argument has taken no steps to discontinue it. In view of this improper marking of the specific goods here involved and the continuance after it had been called to its attention. . . the applicant is not entitled to the registration which it seeks."

Id. at 592. Here, as in Libbey-Owens-Ford, the misuse was brought to CNV's attention but CNV continued the misuse.

In Gillette Safety Razor Co. v. Standard Safety Razor Corp., 27 USPQ 46 (Comm'r Pat.) registration was also refused where the applicant failed to cease the misuse after notice. The applicant in Gillette explained that in anticipation of registration of the mark, it had started marking packages with the symbol before the opposition period expired. A declaration submitted by the applicant stated that upon receipt of the notice of opposition, the applicant ceased the misuse. The opposition trial testimony of an officer of the applicant, however, contradicted that declaration by stating that the symbol continued to be used on the packaging. Finding that the misuse had not ceased, the Commissioner held that the misuse was "fatal" to the applicant's right to register its mark. Id. at 48. Here, as in Gillette, CNV proffered testimony that it had an "honest and sincere belief that use of the symbol prior to May 8, 1984 was not improper" is contradicted by the evidence which establishes that CNV had

notice, as of February 23, 1983, that the use of the symbol was improper. Construing all inferences in favor of Copelands, as the Board was required to do, CNV's "honest and sincere belief" simply cannot stand.

In Four Roses Products Co. v. Small Grain Distilling & Drug Co., 29 F.2d 959, 959-60 (D.C.Cir. 1928) the Court of Appeals for the District of Columbia refused registration to the applicant in an opposition proceeding where the applicant had misused the symbol:

"The record discloses that appellant's labels carrying the mark have borne the words 'Trade-Mark Reg. U.S. Pat. Off.' The mark had not been registered, and, of course, appellant knew it had not been registered. That such a legend has some significance in the public mind is apparent. Manifestly, appellant intended to convey to the public the impression that the United States Patent Office had determined the question of the ownership of the mark; in other words, that appellant was its owner and that any other user on goods of the same descriptive properties would be an infringer.

* * * *

As we have many times observed, the Trade Mark Registration Act was designed to prevent and not to promote misrepresentation. The Patent Office, therefore, would have been justified in refusing appellant's application, quite apart from the opposition of the appellee."

Id. at 959-60. Accord The Ohio Hydrant & Supply Co. v. John Herzog & Son, 2 USPQ 62, 62-63 (Comm'r Pat. 1929).

The present case mirrors this quote from Four Roses. CNV used the symbol, admittedly knowing, after February, 1983, that the mark was unregistered. CNV also knew, from Copelands'

letter, and presumably from Mr. Lindsey, that use of the symbol prior to registration was improper. Still, CNV continued to use it. On such facts, CNV's right to registration must be denied.

If the evidence before the Board did not show fraud on the part of CNV on its face, then it certainly creates an issue of fact as to such. CNV never checked with an attorney despite having Mr. Lindsey and Mssr. Marcellin obviously at its disposal, and never took any other acceptable measures to discredit or verify the very specific accusations of misuse made in the notice letter. It continued the misuse for a fully year and three months, while Mr. Lindsey, who had received the letter, stood idly by.^{2/} With so many attorneys at its disposal and at least one working directly on the matter, CNV's ignorance cannot be excused and its assertions of a good faith believe in the propriety of what it was doing must be discredited, or at least determined at trial.

"Before summary judgment will be granted it must be clear what the truth is and any doubt as to the existence of a genuine issue of material fact will be resolved against the movant."

Wright & Miller, Federal Practice and Procedure §2727, p. 124 (1983). See also, Adickes v. S.H. Kress & Co., 398 U.S. 144, 157-61, 26 L.Ed.2d 142, 154-56, 90 S.Ct. 1598 (1970).

^{2/} It should be noted that Mr. Lindsey is counsel of record for CNV in this Opposition proceeding. If any advise regarding misuse was given by or sought from Mr. Lindsey, therefore, those facts would have appeared in CNV's motion papers.

Significantly, as noted above, the Board themselves questioned whether Mr. Lindsey's omitted explanation as to whether he did or did not advise his clients to cease the misuse, and whether, if he did not, why he did not advise his client regarding proper usage of the symbol, noting that it was Mr. Lindsey who forwarded Copelands' letter to CNV. (A 8; 18). In so doing, the Board cited the following section of Professor McCarthy's well-respected treatise:

"[I]t is obvious that no attorney should knowingly permit use of [the registration symbol] where a mark has not been federally registered. . . . It would seem that no excuses of mistake or ignorance should be accepted absent some proof of a good faith attempt to insure that the statutory notice not be misused. Failure to take any steps to prevent negligent misuse of the statutory notice might constitute such gross negligence as to rise to the same level as intentional fraud."

J.T. McCarthy, Trademarks and Unfair Competition, §19:54 (2 Ed. 1984).

The Board's reliance on this quotation clearly indicates that the Board had in its mind a genuine issue as to a material fact. If the Board was prompted by the evidence to question whether or not Mr. Lindsey's actions amounted to intentional fraud, then surely a finder of fact might do the same, and could reasonably find that, by continuing to use the symbol in connection with the mark after notice that the mark was unregistered and that thus use of the symbol was contrary to law, and after the advice of counsel, CNV did have the fraudulent

intent to misuse the symbol. Where the evidence is such that a reasonable finder of fact could return a verdict for the non-moving party, then summary judgment must be denied. Anderson v. Liberty Lobby, 477 U.S. 242, 249, 91 L.Ed.2d 202, 212, 106 S.Ct. 2505, 2510 (1986).

Despite all of the evidence designated by Copelands as creating an issue of fact as to CNV's intent, the Board held that

"[CNV's] statements regarding its mistaken belief and that it had no intent to deceive stand unrebutted."

(A 8; 18).

To so hold was error. The Board's holding essentially condones ignoring notice and counsel's advice on what the law actually is.

- B. The Board Committed Clear Error In Holding That CNV Was Entitled To Judgment As A Matter Of Law In Light Of The Undisputed Failure Of CNV To Discontinue The Misuse After Notice

By holding the CNV was entitled to summary judgment as a matter of law in the face of the undisputed fact that CNV had failed to make any effort to discontinue the misuse after notice, it is clear that the Board ignored this crucial element in its application of the facts to the law or considered it immaterial. The Board's action in doing so is contrary to established case law which requires that for misuse to be excused, it must have ceased after notice. To do so constituted "faulty legal analysis" requiring reversal. Howes v. Medical Components, Inc., 814 F.2d 638, 643, 2 USPQ 2d 1271, 1273 (Fed. Cir. 1987).

In Knorr-Nahrungsmittel Akg. v. Havland International, Inc., 206

USPQ 827, 833 (TTAB 1980), the Board stated:

"It is settled that the intentional use of the registration legend in connection with a mark that has not been registered in an attempt, actual or implied, to mislead those in the trade or the general public can serve to defeat the applicant's right of registration. But it has been the practice of the Office to accept explanations that demonstrate that such use was inadvertent or without any intent to deceive or mislead and that there has been an effort to discontinue the offending use."

.(Emphasis added.)

In the following cases, misuse was not found excused and registration was refused where the applicant failed to cease the misuse after notice: Four Roses Products Co. v. Small Grain Distilling & Drug Co., 29 F.2d 959, 959-69 (D.C.Cir. 1928) (registration refused where applicant used the symbol with knowledge that the mark was unregistered); Libbey-Owens-Ford Glass Co. v. Plastron, Inc., 80 USPQ 591, 592 (Comm'r Pat. 1949) (registration refused where applicant took no steps to discontinue misuse after it had notice of the misuse); Weil & Durrse v. United Piece Dye Works, 70 USPQ 36, 37 (Comm'r Pat. 1946) (registration refused where applicant's purported excuse of inadvertence was contradicted by its specimens which attempted to cover up use of the symbol); Gillette Safety Razor Co. v. Standard Safety Razor Corp., 27 USPQ 46, 48-49 (Comm'r Pat. 1935) (registration refused where applicant had knowledge that the mark was unregistered and lied about discontinuing the misuse);

The Ohio Hydrant & Supply Co. v. John Herzog & Son, 2 USPQ 62, 62-63 (Comm'r Pat. 1929) (registration refused where applicant had knowledge that the mark was not registered).

Consistently, in the following cases, misuse was excused only after the misuser had affirmatively shown that it had ceased the misuse after notice: Sauguait Paper Co., Inc. v. Weistock, 46 F.2d 586, 587-88 (CCPA 1931) (misuse excused where it occurred for only a short period and ceased); Johnson Controls, Inc. v. Concorde Battery Corp., 228 USPQ 39, 44 (TTAB 1985) (misuse excused where applicant explained use as inadvertent and discontinued use after notice); Shoe Factory Supplies v. Thermal Engineering Co., 207 USPQ 517, 523 n. 5 (TTAB 1980) (misuse held excusable where applicant's counsel was unaware of such use and where misuse was discontinued); Knorr-Nahrungsmittel Akg. v. Havland International, Inc., 206 USPQ 827, 833 (TTAB 1980) (misuse excused where use was inadvertent and was discontinued after notice).

Thus it is clear that a prompt discontinuation of the misuse after notice is a crucial fact demonstrative of a lack of a fraudulent intent and is essential to a misuse excuse. And such a requirement makes sense. If the misuser had no intent to misuse the symbol, he would certainly stop upon learning of the impropriety. The misuser who does not stop after notice, however, is committing a fraud; he is knowingly mismarking his goods and is deliberately misleading the public.

Thus, as a matter of law CNV was unable to prove a lack of fraudulent intent.^{6/} The Board's failure to recognize this was error. The Board acknowledged that CNV failed to make any effort to discontinue the misuse after notice in its opinion, (A 6, 8; 16, 18), but nevertheless found the misuse excused because, although CNV had received notice, CNV "apparently was merely following the instructions of the manufacturer of the goods." (A 9; 19). Query what is the point of notice if it can be so easily ignored? The Board's treatment of this undisputed fact is error.

C. The Board Erred In Requiring Copelands To Present Its Own Evidence To Establish The Existence Of Genuine Issues Of Material Facts, And In Failing To Recognize That Copelands Did Present Such Evidence

The Board's opinion faults Copelands for pointing to CNV's own declarations to establish the existence of genuine issues of material facts.

"[Copelands] fails, moreover, to present its own evidence to establish the existence of material facts, that is, specific facts to suggest that [Copelands], the non-movant, could prevail on a complete record at trial."

(A 9; 19).

As set forth above, and as was implicitly recognized by the Board in its statement of the prima facie case of misuse, Copelands carried its initial burden by presenting the fact that

^{6/} Copeland would urge the Court, as it did the Board (A 42; 518; 551; 725) to enter summary judgment sua sponte in favor of Copelands on this ground. See Jewelers Vigilance Committee, Inc. v. Ullenberg Corp., 853 F.2d 888, 890 n.2, 7 USPQ 2d 1628, 1630 n.2 (Fed. Cir. 1988).

CNV used the symbol with an unregistered mark and by presenting evidence that such use was continued after notice that it was improper. The burden of proof thus shifted to CNV to establish the absence of a genuine issue of facts material to fraudulent intent. If CNV failed in this, Copelands did not have to present anything further. If CNV did present facts, Copelands needed only designate those facts on the record which met CNV's.

"Since the undisputed evidence before the district court was not sufficient to entitle Data Design to summary judgment as a matter of law, as required by Fed.R.Civ.P. 56(c), the district court also erred in resting its decision, in part, on the fact that Broomhall failed to undertake the discovery of evidence to rebut the affidavit of Mr. Newland. As the Supreme Court pointed out in Adickes v. S.H. Kress & Co., 398 U.S. 144, 160, 90 S.Ct. 1598, 1609-10, 26 L.Ed.2d 142 (1969), if the evidentiary matter in support of the motion for summary judgment does not establish the absence of a genuine issue, summary judgment must be denied even if no opposing evidentiary matter is presented."

Broomhall Industries, Inc. v. Data Design Logic Systems, Inc.,
786 F.2d 401, 405, 229 USPQ 38, 41 (Fed. Cir. 1986).

To overcome a motion for summary judgment, "[t]he party opposing the motion is required merely to point to an evidentiary conflict created on the record." Armco, Inc. v. Cyclops Corp.,
791 F.2d 147, 149, 229 USPQ 721, 722 (Fed. Cir. 1986). The source of the facts creating a genuine issue is irrelevant.

"[A summary judgment] motion may, and should, be granted so long as whatever is before the district court demonstrates that the standard for the entry of summary judgment, as set forth in Rule 56(c) is satisfied. One of the principal purposes of the summary judgment rule is to isolate and dispose of factually

unsupported claims or defenses, and we think it should be interpreted in a way that allows it to accomplish this purpose."

Celotex Corp. v. Catrett, 477 U.S. 317, 323, 91 L.Ed.2d 265, 274, 106 S.Ct. 2548 (1986) (Emphasis added). Therefore, Copelands was not required to create an issue by its own evidence if CNV's created one on its own which, as set forth above, it did.

"[T]he court is not bound to accept uncontroverted testimony at face value if it is improbable, unreasonable or otherwise questionable."

Wilbur-Ellis Co. v. M/V Captayannis "S", 451 F.2d 973, 974 (9th Cir. 1971), cert. denied, 405 U.S. 923, 30 L.Ed.2d 794, 92 S.Ct. 962 (1972). To the extent the Board's failure to recognize the existence of a genuine issue as to material facts was dependent on this misinterpretation of the summary judgment standard, it was error.

The Board also erred in ignoring Copelands' notice to CNV as significant evidence on misuse and intent. That evidence is entitled to much more weight than the evasive and self-serving declarations crafted for the purpose of supporting CNV's motion.

D. The Board Erred In Failing To Deny The Motions Or To Order A Continuance Under Rule 56(f)

Just prior to the filing of CNV's motions for summary judgment on August 6, 1987, the parties exchanged written discovery requests but had not yet responded. Copelands had noticed the deposition of CNV and was negotiating with CNV's counsel for the deposition of Pouilloux.

Pursuant to the Board's Order of August 24, 1987 and Trademark Rule of Practice 2.127(d), proceedings, as well as discovery, were suspended upon the filing of CNV's motion. (A 344; 345). Thus Copelands was put in the difficult position of having to defend against the motion without the benefit of discovery. Facts unique to CNV, such as CNV's subjective intent in its use of the symbol and Mr. Lindsey's advice as to Copelands' notice, etc., were all out of Copelands' reach. Furthermore, CNV supported its motion with declarations from declarants whom Copelands never had an opportunity to depose.

Copelands stated this situation to the Board, (A 352-53; 479), and supported it with the declaration of Thomas Copeland, (A 402-03) in requesting under Rule 56(f) that the Board deny the motions or continue them until the parties had had an opportunity to conduct discovery. Copelands' brief stated:

"The discovery periods, however have been suspended, the parties understand, pursuant to Trademark Rules of Practice 2.127 and the filing by CNV of this Motion for Summary Judgment. The parties have propounded written discovery to which the responses have been suspended. Discovery depositions have been scheduled but not held due to the suspension. Consequently, the parties have exchanged no discovery as of yet in this action. Copelands' asks the Board to note that no discovery in this case has yet been exchanged and thus Copelands' does not presently have all the evidence at its disposal which it intends to have at trial. In the event the present Motion is not denied on other grounds, therefore, Copelands' respectfully requests that the Motion be denied under Federal Rule of Civil Procedure 56(f) or that the matter be continued to

allow the parties to conduct further discovery."

(A 352-53; 479).

The Board's failure to do so was error. This error is particularly apparent in light of the Board's statements:

"[Copelands] fails, moreover, to present its own evidence to establish the existence of material facts, that is, specific facts to suggest that [Copelands], the non-movant, could prevail on the complete record at trial. [Copelands] would rather have us speculate as to what it might be able to show regarding [CNV's] intent at trial. Such speculation, without supporting evidence, will not suffice to withstand a motion for summary judgment."

(A 9; 19).

Copelands set forth evidence of CNV's misuse and evidence of CNV's continuation of that misuse after notice. Copelands pointed to evidence in the record which rebutted CNV's purported reason for the use of the symbol and its "honest" belief that use of the symbol was proper. These facts are more than sufficient to create a genuine issue as to CNV's intent. If more was required, then the Board should have allowed Copelands an opportunity to depose CNV and its declarants in order to determine their actual intent. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 n.5, 91 L.Ed.2d 202, 212 n.5, 106 S.Ct. 2505 (1986). The Board's failure to do so requires vacation and remand. Dunkin' Donuts of Am. v. Metallurgical Exproducts, 840 F.2d 917, 919, 6 USPQ 2d 1026 (Fed. Cir. 1988).

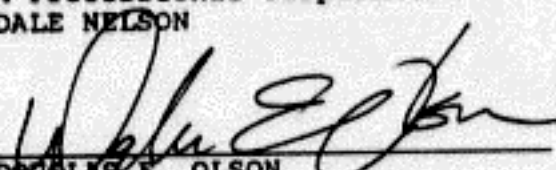
VIII. CONCLUSION

In light of the above, Copelands respectfully requests that the August 31, 1988 decisions of the Board, insofar as they grant summary judgment in favor of CNV, be reversed. Copelands requests that this Court enter summary judgment in favor of Copelands on the issue of misuse, or, in the alternative, that this Court remand the issue for trial on the merits along with Copelands' other causes of action.

Respectfully submitted,

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Dated: March 3, 1989

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