

Appellant's Reply Brief

APPELLANT'S REPLY BRIEF

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

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

MAY 03 1989

FRANCIS X. GINDHART
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89-1053
89-1079

COPELANDS' ENTERPRISES, INC.
d/b/a Copelands' Sports,

Appellant,

v.

CNV, INC.,

Appellee.

Appeal From The Trademark Trial
And Appeal Board

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I. THIS COURT HAS JURISDICTION TO HEAR THIS APPEAL

A. Introduction

CNV has attempted to avoid the merits of the misuse issue in contending that the Board's decision is not final and is thus not appealable. Although CNV has acknowledged the existence of cases from this Court permitting such appeals, CNV's reasoning rejects decades of authority from this Court and its predecessor Court, the CCPA, which has permitted such appeals from the Board. See, e.g., Tenneco Resins, Inc. v. Reeves Bros., Inc., 736 F.2d 1508, 1510, 222 USPQ 276, 278 (Fed. Cir. 1984); Chesebrough-Pond's, Inc. v. Faberge, Inc., 618 F.2d 776, 779, 205 USPQ 888, 891 (CCPA 1980); Toro Co., Inc. v. Hardigg Indus., Inc., 549 F.2d 785, 193 USPQ 149 (CCPA 1977); Knickerbocker Toy Co. v. Faultless Starch Co., 467 F.2d 501, 175 USPQ 412 (CCPA 1972). The ineluctable result of accepting CNV's reasoning would be a denial of essentially all interlocutory appeals. That is clearly an undesirable result in view of this Court's precedent, the guidelines of the Supreme Court and the clear language of Congress.

The PTO, as indicated by the Commissioner's amicus brief, appears to take a less harsh approach, acknowledging that interlocutory appeals are and should be provided for by this Court. Despite paying lip service to such appeals, however, the PTO asks this Court to construe its precedent so narrowly as to effectively eliminate interlocutory appeals. As indicated below this Court has identified sound reasons for permitting such appeals, which are present here, including: (1) separate and distinct issues; (2) no showing of inconvenience or delay which

would make the appeal inappropriate; (3) the high likelihood that two trials would be required; (4) no disruption of the orderly process of adjudication by the Board; and (5) the important legal consequences resulting from a grant of summary judgment on misuse.

B. Interlocutory Appeals Have Long Been Permitted

Although this Court has been mindful of the goals of the "final judgment rule," it has recognized, along with the Supreme Court, the CCPA and Congress, that interlocutory review can serve those same values. See also Redish, "The Pragmatic Approach to Appealability in the Federal Courts" 75 Colum. L. Rev. 89 (1975) (cited with approval by the CCPA in Stabilisierungsfonds Fur Wein v. Zimmermann-Graeff KG, 198 USPQ 154, 156, n.4 (CCPA 1978). As Professors Wright and Miller have commented:

"The final judgment rule...is necessarily based on a general determination of the appeals relationships that are apt to work best for most cases, most of the time. Interlocutory review may often serve the same values more effectively."

Wright & Miller, 16 Federal Practice and Procedure §3920, p. 6 (1977) (emphasis added). Thus:

"An erroneous ruling may mean either that subsequent trial court proceedings must be duplicated later or that they will be adversely affected without any later opportunity for correction."

Id.

The Supreme Court has stated:

"[a] pragmatic approach to the question of finality has been considered essential to the achievement of the 'just, speedy, and inexpensive determination of every action'."

Brown Shoe Co., Inc. v. United States, 370 U.S. 294, 306 (1962).

The Federal Circuit, in its wisdom, has recognized the desirability of the pragmatic balancing approach:

"Appealability of orders is not decided by rote....To determine appealability of an order, an appellate court must balance the 'inconvenience and costs of piecemeal review' against 'the danger of denying justice by delay.'"

Heat and Control, Inc. v. Heater Indus., Inc., 785 F.2d 1017, 1020, 228 USPQ 926, 928 (Fed. Cir. 1986) (quoting Gillespie v. United States Steel Corp., 379 U.S. 148, 152 (1964) and Dickenson v. Petroleum Conversion Corp., 338 U.S. 507, 511 (1950)).^{1/}

Judge Rich set forth the specific considerations weighed by the Federal Circuit in determining appealability:

"[I]f the appealed issue is sufficiently separate and distinct from the issues remaining adjudicated, and the goal of judicial economy would be served by prompt resolution of the dispute, this Court has allowed the appeal of interlocutory orders....[and] whether the decision appealed from has finally disposed of a right asserted by one of the parties and foreclosed its further consideration."

Chesebrough-Pond's, Inc. v. Faberge, Inc., 618 F.2d 776, 779, 205 USPQ 888, 891 (CCPA 1980). Accord, Tenneco Resins, Inc. v. Reeves Bros., Inc., 736 F.2d 1508, 1510, 222 USPQ 276, 278 (Fed. Cir. 1984).

In Tenneco v. Reeves, the Court applied this pragmatic

^{1/} The Supreme Court over the years has relaxed the final judgment rule, accommodating the various situations in which interlocutory review is desirable, while not limiting the expansion of the scope of appealability to any particular facts. See, e.g., Gillespie v. United States Steel Corp., 379 U.S. 148 (1964); Cohen v. Beneficial Indus. Loan Corp., 337 U.S. 541 (1949); Forgay v. Conrad, 47 U.S. 201 (1948). Belying CNV's intimation that Gillespie is no longer valid, the Supreme Court's decision in Mitchell v. Forsyth, 472 U.S. 511, 524 (1985) confirms that Gillespie is alive and well.

approach and exercised jurisdiction over an appeal from a district court's non-final order denying plaintiff's motion to amend its answer to defendants' counterclaim. This Court concluded that giving the finality rule a 'practical rather than a technical construction' and allowing review would in that case promote justice by preventing the danger of an unnecessary second trial. Concerning judicial economy, this Court wisely noted the "separate, yet intermingled" nature of the issues in question.

"An important question before us is whether judicial economy would be served by allowing this appeal. While the affirmative defenses of validity and unenforceability against an asserted patent are technically separate and distinct, realistically they involve related if not identical evidence. In the words of Knickerbocker Toy, they are "hopelessly intermingled" with the remaining issues. The district court's denial presents the substantial possibility that an additional trial, requiring the parties to resubmit evidence previously presented, argued, and weighed by the district court, would be needed."

Tenneco at 1512, 222 USPQ at 278. The Court then concluded that the potential costs and wasted judicial resources of an additional trial on substantially the same evidence demanded that appeal proceed. Tenneco at 1512, 222 USPQ at 279.

Using similar reasoning, the Court of Customs and Patent Appeals in Toro Co., v. Hardigg Industries, Inc., 549 F.2d 785, 788, 193 USPQ 149, 153 (CCPA 1977), exercised jurisdiction over the Board's grant of partial summary judgment.

"To force the same parties, even potentially, through a complete trial in a second proceeding involving the same marks and issues would be to nullify the judicial economy residing in our decision on the earlier appeal and defeat the goal of finality of litigation sought by the doctrine

of res judicata."

Toro at 788, 193 USPQ at 153.

The Court's application of the pragmatic approach to appealability reflects not only the Supreme Court's view, but also that of Congress. In enacting 28 U.S.C. §1292, Congress sought to mitigate the harshness and undesirability of inflexible insistence on finality by allowing interlocutory review in certain situations. Thus, §1292(a) provides for interlocutory review of orders relating to injunctive relief, receiverships and admiralty cases. Section 1292(c) provides for interlocutory appeals and, in the district court's discretion, a stay of accounting trials, to avoid those which might be affected by the outcome of an interlocutory appeal on liability. In re Calmar, Inc., 845 F.2d 461 (Fed. Cir. 1988). Sections 1292(b) and (d) respectively provide for interlocutory review of any order of a District Court, the Court of International Trade or the United States Claims Court which the Judge opines involves "a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation." The purpose of §1292(b) was to "expedite the ultimate termination of litigation and thereby save unnecessary expense and delay." H.R. Rep. No. 1667, 85th Cong., 2d Sess. 1 (1958). That purpose is similar to the purposes of the final judgment rule and underscores the danger in a rigid adherence to the latter.

There is no certification provision corresponding to that in

§1292 applicable to orders of the TTAB.^{2/} Gal v. Israel Military Indus., 1 USPQ2d 1424, 1426-27 (Comm'r Pat. 1986). Cf. R.G. Barry Corp. v. Mushroom Makers, 609 F.2d 1002, 1004, n.3, 204 USPQ 195, 197 n.3 (CCPA 1979). The PTO agrees with this interpretation of §1292 in its brief at page 9 n.20. The decision of Congress not to give the Board the ability to communicate its opinion on the appealability of its interlocutory orders renders compelling this Court's careful application of the Tenneco-Toro-Chesebrough test to orders of the Board.

The Supreme Court endorsed this view in Gillespie v. United States Steel Corp., 379 U.S. 148, 154 (1964):

"the Court of Appeals properly implemented the same policy Congress sought to promote in §1292(b) by [undertaking interlocutory review]."

Support for this Court's treatment of interlocutory orders of the Board is found in the very language of §§1295 and 1071.

Section 1295(a)(4)(B) states:

"(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction --
(4) of an appeal from a decision of --
(B) . . . the Trademark Trial and Appeal Board with respect to . . . proceedings as provided in §21 of the Trademark Act of 1946 (15 U.S.C. §1071);"

This section permits an appeal from "a decision" whereas other sections of §1292 require a "final decision." It is a

^{2/} While CNV may argue that the enactment of §§1295 and 1292 establishes a congressional "scheme" implicitly rejecting any other route to appealability, the Supreme Court's decisions in Gillespie, Cohen, Forgay and others, as well as this Court's decisions reviewing interlocutory orders of the Board have made it clear that there is no inconsistency with congressional intent in reviewing interlocutory orders not specified in §1292.

black-letter rule of statutory construction that

"where Congress includes particular language in one section of a statute but omits it in another section of same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion."

Horner v. Shuck, 843 F.2d 1368, 1373 (Fed. Cir. 1988). Accord, Rodriguez v. United States, 480 U.S. 522, 525 (1987); Adam Sommerrock Holzau, GMBH v. U.S., 866 F.2d 427, 429 (Fed. Cir. 1989). The briefs of CNV and the PTO Solicitor would have this Court ignore this firmly established rule of construction.

Consistent with congressional intent, this Court has interpreted the statute as requiring a "final" judgment only to the extent that the judgment is partially final (*i.e.*, a summary judgment as in this case) and otherwise has sufficient finality to make an appeal appropriate. See, e.g., Chesebrough-Ponds, 618 F.2d at 779, 205 USPQ at 891; Mushroom Makers, 609 F.2d at 1005, 204 USPQ at 198.

In keeping with its approach to interlocutory appeals from the Board, this Court accords more "flexible" treatment to agency proceedings in general. The Federal Circuit acknowledged in Dewey Electronics Corp. v. United States, 803 F.2d 650 (Fed. Cir. 1986) the different treatment to be accorded orders of the Board and orders of a district court where it stated that the "longstanding practice of agency boards...counsel against applying a rigid district court concept of finality." Dewey, 803 F.2d at 655 (emphasis added).

In Dewey, this Court stated that:

"[T]here is not always 'precise congruence between 'the classical jurisdictional requirements' applied to appeals from

district courts and the jurisdictional standards applicable to review of administrative proceedings....'"

Id. at 654.

As the Dewey Court noted, rigid application of the finally rule to decision of agencies would "tend to reduce the efficiency and flexibility generally associated with administrative proceedings." Dewey, 803 F.2d at 656. It would also be inconsistent with the clear language of Congress which does permit the opportunity for an expedient review of Board decisions which meet the test established by this Court.

C. This Case Meets This Court's Tests Of Appealability

1. The legal issue of misuse is separate and distinct as unequivocally admitted by the Commissioner's brief, page 9.

This Court in Tenneco found that the issues underlying the plaintiff's claims of invalidity and unenforceability of defendant's patent were distinct and separate from the issues remaining in the case:

"While we recognize that the issues of infringement, interference, validity, and unenforceability, when applicable, are normally addressed together, they are distinct and separate issues."

Tenneco at 1511, 222 USPQ at 278. Accord, Knickerbocker Toy Co., Inc. v. Faultless Starch Co., 467 F.2d 501, 507, 175 USPQ 412, 422 (CCPA 1972). So it is the case here. While Copelands' claims of lack of ownership, absence of §2(c) requirements, and registration symbol misuse may "normally [be] addressed together," they are distinct, separate and readily severable issues. Thus, CNV's observation that trial and discovery on all three claims may overlap in terms of witnesses and evidence is of

no import. Just as the patent issues of infringement, interference, validity and enforceability may, and normally do, require an overlap in witnesses and evidence, but remain separate legal issues, the issue of CNV's misuse, dependent on a separate set of facts and legal theory, can be separated neatly from the other issues remaining in the case. See Tenneco at 1512, 222 USPQ at 278.

2. There has been no showing of inconvenience or delay which would make this appeal inappropriate. No prejudice will result to CNV if the appeal proceeds at this time. The delay which the appeal will present is insignificant relative to the substantial delay caused by CNV's motions for summary judgment which suspended discovery and all other proceedings before the Board. Since it was CNV who proposed the stipulation to further suspend all proceedings pending this appeal, CNV cannot complain that it is harmed by any resulting delay. The present challenge to CNV's trademarks does not prevent it from using those marks and indeed it continues to do so. CNV has pointed to no real prejudice which would result from this appeal. As we have shown, this appeal will enhance rather than delay final resolution of CNV's rights.

3. There is a high likelihood that two trials will be necessary and that great delay will result if this appeal is dismissed. If the trial goes forward on the other issues, an appeal from that trial will necessarily present the misuse summary judgment issue. If that decision is reversed, as it should be, a second trial on the misuse issue will result. It appears that the same witnesses and same documents will have to

be the subject of the second trial and thus resulting in great waste and burden on Copelands and on the Board.

CNV calls this a garden variety summary judgment. In fact, it is anything but routine. The Board's grant of summary judgment has had an extreme effect on Copelands' case. Discovery on misuse was originally scheduled for 1987. That discovery was stayed pending CNV's motions for summary judgment. If this appeal is heard now, a reversal would result in the misuse discovery and trial on the remaining issues being completed probably in 1990. If this appeal is dismissed, a trial in 1990 and appeal of the summary judgment on misuse in 1991 would be likely. A reversal on misuse would result in discovery being delayed until possibly 1992. That very likely schedule would result in a delay of about 5 years in obtaining Copelands' misuse discovery. That delay is a very serious problem for Copelands. Memories fade, witnesses become unavailable and evidence may be lost. Thus the delay works a great injustice to Copelands.

The PLO argues that the issue now on appeal may become moot if Copelands prevails on its other theories at trial. While a possibility, this would not appear to avoid further proceedings in this Court on CNV's laches defense. Furthermore, whereas Copelands' misuse claim is entirely dispositive of the actions, the §2(c) and ownership claims may not be. Thus little weight can be given to speculation that less than all of the issues will be litigated.

A more important delay is that which the public experiences while the registration of CNV's misused mark is in force. That

misuse began in 1982 and damaged Copelands in 1986. Every year that the registration on CNV's misused mark remains in force is an imposition to the public. The public interest requires that the Court act swiftly to halt one "who schemes through the use of his mark to promote his own fraudulent interests to the ultimate detriment of the buying public." Coca-Cola Co. v. Victor Syrup Corp., 218 F.2d 596, 600, 104 USPQ 275, 278 (CCPA 1954).

4. Judicial review will not disrupt the orderly process of adjudication. The Commissioner's brief alleges that orderly proceedings at the Board will be disrupted if this appeal is accepted, but fails to state why. This appeal has been fully briefed. The issue presented is straightforward and the record is small. The issue can be readily decided without an additional delay or strain on the Board's administration.

CNV expresses the concern that this Court's acceptance of this appeal will open the floodgates of an overwhelming number of interlocutory appeals, a result which would overburden the Court. Considered realistically, such would not be the case. As set forth herein, only those appeals in which economy outweighs the danger of piecemeal review would be accepted. Whereas litigants with borderline facts may attempt to woo the Court's review, such matters can be disposed of on a motion to dismiss, as they have been by this Court. Those appeals which are accepted, while ostensibly increasing the burden on the appellate court, would actually decrease the burden on the federal judicial system as a whole precisely for the reasons it is chosen for review. This Court has recognized that its pragmatic approach to appealability by avoiding unnecessary proceedings below removes the overall

burden on the system in general, thus ultimately reducing appellate resources in the long run as well.

5. Failure to consider this appeal will foreclose further consideration of Copelands' rights. The grant of a summary judgment is a "lethal weapon" which denies the non-movant its day in court. SRI Intern. v. Matsushita Elec. Corp., 775 F.2d 1107, 1116 (Fed. Cir. 1985). The Courts in Chesebrough-Pond's, Inc. v. Faberge, Inc., 618 F.2d 776, 779, 205 USPQ 888, 891 (CCPA 1980) and R.G. Barry Corp. v. Mushroom Makers, Inc., 609 F.2d 1002, 1005, 204 USPQ 195, 198 (CCPA 1979) recognized that the grant of partial summary judgment forecloses consideration of such a right. Those Courts indeed drew a distinction between grants of partial summary judgment, the immediate review of which serves judicial economy, and denials of summary judgment, which may not. Id.

D. CNV Has Made No Showing Which Should Deprive This Court Of Jurisdiction

The cases cited by CNV are distinguishable. In Aerco Inter. Inc. v. Vapor Corp., 608 F.2d 518, 203 USPQ 882 (CCPA 1979), the Board denied the applicant's motion to amend its answer to add a counterclaim for cancellation of the opposer's registration. The Court, applying the pragmatic approach, held that the order was "not fundamental" to further conduct of the opposition, since the opposer could still oppose in reliance on its common law rights. Id. at 521, 203 USPQ at 884. No such situation exists here, where Copelands' claim of misuse would, if proved, dispose of the actions.

Similarly, in Intern. Order of Job's Daughter's v. Lindeburg

& Co., 687 F.3d 436, 215 USPQ 199 (CCPA 1982), the remaining claims mirrored the dismissed claim; therefore there was no preclusion of a claim or defense involved. Id. at 437, 215 USPQ at 200. By contrast, Copelands' misuse theory is separate and distinct from the remaining issues to be tried. Scoa Industries, Inc. v. Kennedy & Cohen, Inc., 530 F.2d 953, 189 USPQ 15 (CCPA 1976) (stricken allegations as to fraud on the PTO as to who first used the mark identical to remaining allegations as to who first used the mark) is distinguishable for the same reason.

In Champion Products, Inc. v. Ohio State University, 614 F.2d 763, 204 USPQ 833 (CCPA 1980), the Court's reluctance to take jurisdiction over an appeal of the Board's order turned on its finding that "[t]he stricken pleadings in the present case recite no trial avoidance theories." Id. at 835. As discussed above, a second trial in this case is very likely if this appeal is not considered now.

Lastly, Jeannette Sheet Glass Corp. v. United States, 803 F.2d 1576 (Fed. Cir. 1986), is distinguishable from the present case in that the Court of International Trade has certification procedures available to it which the Board does not have.

II. CNV'S ASSERTION OF LACHES IS NOT PROPERLY BEFORE THIS COURT AND IN ANY CASE COPELANDS IS NOT BARRED BY LACHES

The Board's decision of August 31, 1988 clearly indicated that the only basis for its grant of summary judgment was its perceived absence of any genuine issue of material fact on the merits of the misuse claim. Implicit in that holding is the Board's rejection of CNV's laches defense.

CNV did not cross-appeal the issue of laches. It is

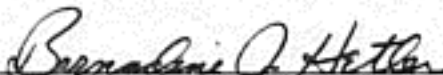
CERTIFICATE OF SERVICE

I hereby certify that copies of Page 14 of Copelands' Appellant's Reply Brief in Appeal Nos. 89-1053 and 89-1079 were served this 1st day of June, 1989 as indicated below upon:

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therefore precluded from requesting relief on that issue here. Parker Bros. v. Tuxedo Monopoly, Inc., 757 F.2d 254, 254 n.1, 226 USPQ 11, 11 n.1 (Fed. Cir. 1985). Fed. Rule App. P. 4(a)(3); 3(c).

CNV's laches defense in any case is devoid of any merit. CNV relies exclusively on Georgia-Pacific Corp. v. Great Plains Bag Co., 614 F.2d 757, 204 USPQ 697 (CCPA 1980) and argues that since Copelands had knowledge of CNV's use of the trademarks-in-suit since 1983 or earlier, the intervening three years before the cancellation and opposition proceedings were filed gave rise to laches.

Georgia-Pacific is clearly distinguishable. Georgia-Pacific involved a cancellation action based on Lanham Act Section 2(d) - - likelihood of confusion -- which cause of action arose upon discovery of the use by a competitor of the confusingly similar mark. The period of measurement for laches commences when the petitioner becomes aware of facts giving rise to the cause of action. In a 2(d) situation, knowledge of such facts are imputed to the petitioner as early as the petitioner learns of his opponent's mark, for the conflict is inherent in the mark. In a misuse case, by contrast, the cause of action arises when the registration symbol has been used in connection with an intent to deceive and without efforts to discontinue the misuse after notice. Copelands' knowledge of the facts giving rise to misuse therefore did not arise until some period of time after notice of the misuse was given on February 23, 1983, not upon Copelands' knowledge of CNV's use of the trademarks, as CNV would have this Court believe.

In addition, as the Board held repeatedly in its decisions of December 21, 1987, April 22, 1988 and August 31, 1988, Copelands' standing in the proceedings below is based on the damage it suffered by reason of CNV's U.S. Customs seizure of a shipment of genuine Pouilloux-made VUARNET sunglasses intended for Copelands in April, 1986. Only then did Copelands become aware of the facts tending to show the registration's invalidity. Since the facts surrounding the seizure gave rise to Copelands' standing to challenge the mark, it was not obligated to come forward prior to that time to do so.

Furthermore, CNV's argument at page 26 of its brief, that in reliance on Copelands' inaction it made substantial investments in the VUARNET mark and as a proximate result enjoyed a twenty-fold increase in sales, is incredible and unsupported. CNV has made no showing and it strains the imagination to believe that any sales increase was due to CNV's reliance on inaction from Copelands, a relatively small retailer. CNV continues to use the marks now with the proceedings pending, and presumably would have continued to do so even if the proceedings were brought earlier. As such, CNV has failed to show reliance on Copelands' inaction to its prejudice.

"The defense [of laches] will not lie upon a mere showing of delay, where no act of reliance is proven by the defendant."

Money Store v. Harriscorp Finance, Inc., 689 F.2d 666, 674, 216 USPQ 11, 17 (7th Cir. 1982).

III. CNV'S ARGUMENTS DO NOT SUPPORT THE BOARD'S RULING ON MISUSE

CNV argues that the burden of proof set forth in Sauquoit Paper Co. v. Weistock, 46 F.2d 586 (CCPA 1931) is not the law.

To the contrary, nothing in any of the decisions cited by CNV conflicts with Sauquoit. In Sauquoit the CCPA stated:

"It is no doubt true that the filing of the mark containing the words 'Trade Mark Registered U.S. Patent Office,' and the statement in the verified notice of opposition that the marks filed were specimens of the mark as used by the opposer, created a prima facie case of fraud against the public...in such case the party should be permitted to show mistake, if it can, and that there was no fraud in fact in its use of the trade-mark."

Id. at 587 (emphasis added). According to Sauquoit, therefore, a showing that the symbol has been used in connection with an unregistered mark, which Copelands has shown, and which CNV does not deny, thus gives rise to a prima facie case of fraud. The burden of proof thereafter shifts to the misuser to overcome the prima facie case "if it can." Id. The Board's decision in Knorr-Nahrmittel v. Havland Int'l., Inc., 206 USPQ 827, 833 (TTAB 1980) established that a showing of "no fraud" requires the misuser to show (1) the absence of a fraudulent intent to deceive, and (2) that efforts were made to discontinue the misuse after notice. Id. at 833.

As is further discussed in Copelands' opening brief, CNV's attempt to establish an innocent mistaken belief in its use of the symbol is based on an entirely unsatisfactory set of facts. CNV admits that notice of the misuse was given to it directly via its U.S. trademark lawyer, the same lawyer who was prosecuting attorney of record for the mark. Rather than cease the misuse upon notice, and rather than rely on the advice of its U.S. trademark lawyer, CNV purportedly asked a couple of french businessmen what it should do. The frenchman told CNV to keep

using the symbol, so CNV did. What CNV's U.S. trademark attorney's actions were remains a mystery, without the benefit of discovery.^{1/}

Also, CNV presented absolutely no evidence of any attempts to discontinue the misuse after notice. Instead, CNV engaged in a game of bouncing beliefs: it claims it first believed the symbol designated a U.S. registration and then when it was told that there was no U.S. registration, it conveniently switched to believing the symbol designated foreign registration. However, what CNV believed after receiving notice is irrelevant, since it could not thereafter have an "honest" belief as to anything not in compliance with the law. Certainly, CNV's purported "excuse" raises significant doubt as to its sufficiency, and any doubt must be resolved in Copelands' favor. Armco, Inc. v. Cyclops Corp., 791 F.2d 141, 149, 229 USPQ 721, 722-23 (Fed. Cir. 1986)

CNV does not seriously argue that use of the registration symbol to designate foreign registration is actually lawful. It is clear that the symbol, used in the U.S., designates U.S. registration. 15 U.S.C. §1111. Indeed, CNV repeatedly admits that it had a "mistaken" belief that such use was proper. The Board's ruling:

"...in this case, use of the registration notice in connection with the mark "VUARNET" prior to federal registration in May 1984 was

^{1/} CNV's skulking footnote 18 at pg. 38 of its brief regarding what advice Mr. Lindsey gave his client misstates the law. On summary judgment, all inferences are to be drawn in favor of Copelands, the non-movant. Thus, in the absence of direct evidence on what Mr. Lindsey did tell his client, as his taciturn declaration fails to reveal, it must be inferred that he told CNV that use of the symbol was unlawful but to go ahead with it anyway.

technically improper."

(A 5: 15), draws the clear distinction between honest mistaken use of the symbol to designate foreign registration, which may be excusable if discontinued after notice, and the fact that such use is actually unlawful. CNV's reliance at page 36 of its brief on the earlier, unclarified statement of the Board to the effect that such use "is acceptable" is misleading.

Moreover, to the extent CNV impliedly argues that its foreign registrations do justify use of the symbol in the U.S., that argument is wholly unsupported by the record. Such was not the holding of the Board, which, as set forth above, correctly held such use to be "technically improper." Nor did CNV make a showing which would support such a belief. CNV relied on its French and Madrid Convention registrations as evidence of existing foreign registrations, as did the Board. (A 5-6; 15-16; 782-83). The Declaration of Yves Marcellin submitted by CNV attests, however, that France does not recognize use of the symbol * to designate such registration. (A 781). Thus, CNV could not have been relying on its French registration in its use of the symbol. Nor has CNV provided any evidence that the Madrid Convention recognizes use of the symbol and therefore CNV cannot rely on that registration. (A 782-83).

CNV's attempt at pages 32-33 to draw a distinction between cases discussing the use of the notation "Reg. U.S. Pat. Off." and the use of the *, is indicative of its desperate position. Clearly, the two notations have the same meaning. Section 1111 of Title 15, United States Code, states:

"[A] registrant of a mark registered in the Patent and Trademark Office may give notice

that his mark is registered by displaying with the mark as used the words 'Registered in U.S. Patent and Trademark Office' or 'Reg. U.S. Pat. & Tm. Off.' or the letter R enclosed within a circle, thus "....."

CNV cites no case which makes any distinction between notation variations.

CNV maintains that a misuser may still have a good faith belief that use of the symbol is proper even after being put on notice that it is not proper. See CNV's Brief at pages 33-34.

CNV asserts, incredibly:

"Discontinuance [of misuse] may be expected where the user knows there is no basis for continuing to use the registration symbol. But where the user maintains a good faith belief that continued use of the mark is proper, discontinuance can neither be expected nor required."

CNV does not explain how its receipt of unequivocal notice of misuse fits into this analysis, but the implication is that CNV is proposing that notice is irrelevant. Such a position is contrary to law, common sense and good policy. CNV has cited no case where a good faith belief after notice was found. Shatel Corp. v. Mao Ta Lumber & Yacht Corp., 697 F.2d 1352, 1355, 220 USPQ 412, 414 (11th Cir. 1983) and Du-Dad Lure Co. v. Creme Lure Co., 143 USPQ 358, 359 (TTAB 1964) are distinguishable in that those cases did not even involve notice, which is a crucial fact in this case. In Coca-Cola Company v. Victor Syrup Corp., 218 F.2d 596, 599, 104 USPQ 275, 277 (CCPA 1954), the use of the symbol centered beneath the mark "Nutri-Cola" where the user owned an existing registration for "Nutri," was held to be an acceptable use of the symbol, not a misuse as is undisputed here. Further, there was no allegation in Coca-Cola that the user was

put on notice of any inappropriate use, as is the undisputed case here. Similarly, in S.C. Johnson & Son, Inc. v. Gold Seal Co., 90 USPQ 373, 379-80 (Comm'r Pat. 1951), the applicant's explanation that its positioning of the registration symbol on the package to designate the U.S. registration of one of two marks appearing beneath the symbol was held acceptable, not a misuse. Id. at 379-80. CNV does not rely on any existing registration for its long use of the symbol directly adjacent to the word "VUARNET" prior to that word's registration.

CNV's blatant disregard of Copelands' notice letter cannot be taken lightly. Notice imposes a duty on one notified to comply with the law. A failure to do so after notice can only be interpreted as intentional malfeasance. If notice of the law is unavailing, of what strength is the law?

None of the cases cited by CNV in the long list in its footnotes 12 and 13 support its position. In every single one of those cases, with noted exceptions below, the misuse was promptly discontinued after notice. In Winnebago Indus., Inc. v. Oliver & Winston, Inc., 207 USPQ 335, 345 (TTAB 1980); Du-Dad Lure Co. v. Creme Lure Co., 143 USPQ 358, 359 (TTAB 1964); and In re Cramore Products, Inc., 149 USPQ 707, 708 (TTAB 1966), the misuser was denied registration on other grounds and therefore the question as to whether the misuse should have ceased after notice was rendered moot. In those cases there was no indication that the misuser was put on notice at any time prior to the proceedings. In Dow Corning Corp. v. The Doric Corp., 192 USPQ 106, 112 (TTAB 1976), Vantage Mercantile v. New Trends, Inc., 183 USPQ 304, 308 (TTAB 1974) and Rieser Co., Inc. v. Munsingwear, 128 USPQ 452,

453 (TTAB 1961) the user was found to have used the symbol in connection with a registered mark, not the case here.

CNV's assertion at page 33 of its brief that registration has never been refused on misuse grounds in an inter partes proceeding is wrong. See, e.g., Four Roses v. Small Grain, 29 F.2d 959 (D.C. Cir. 1928) (opposition sustained); Coca-Cola v. Victor Syrup, 218 F.2d 596, 104 USPQ 275 (CCPA 1955) (* misuse claim entertained during inter partes proceeding). Indeed, the CCPA has encouraged the Board to make misuse determinations inter partes if at all possible. Gillette Co. v. Kempel, 254 F.2d 402, 117 USPQ 356 (CCPA 1958).

Finally, at pages 38-39 of its brief, CNV attempts to argue that Copelands must establish misuse by "clear, unequivocal evidence," citing Knorr-Nahrmittel. As Copelands has set forth in its opening brief at page 15, the type of fraud thus discussed by the Knorr-Nahrmittel Court was prosecutorial fraud on the Patent and Trademark Office -- an entirely different species of fraud than that attendant to misuse. Compare Sauguoit, *supra*, with Torres v. Cantine Torresella, 808 F.2d 46, 48, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). The standards of proof are accordingly different. CNV ignores this distinction. Copelands is thus not required to show misuse by clear and convincing evidence under Knorr-Nahrmittel. Even if it were, however, Copelands has pointed to issues of fact of sufficient genuineness to meet such a standard, as detailed in its opening brief.

IV. COPELANDS FULLY SATISFIED THE REQUIREMENTS OF RULE 56(f) JUSTIFYING A STAY OR DENIAL OF SUMMARY JUDGMENT FOR DISCOVERY CONSIDERATIONS

As set forth in Copelands' opening brief at pages 45-47, it

is patently clear and undisputed that CNV's intent is crucial in this case. Whereas Copelands believes that the evidence of record presently sufficiently establishes that a genuine issue of fact exists as to CNV's fraudulent intent, the Board's complaint that Copelands provided no direct evidence of CNV's intent was inconsistent with its failure to grant Copelands' 56(f) request. Without an opportunity to depose CNV, Mr. Hatchiguan, Mr. Lindsey, Mr. Mentges or CNV's other deponents or even to propound written discovery, the Board unfairly placed Copelands in a no-win situation. Dunkin' Donuts of Am. v. Metallurgical Exproducts, 840 F.2d 917, 919, 6 USPQ2d 1026 (Fed. Cir. 1988).

Furthermore, CNV's assertion that Copelands' affidavit in support of its 56(f) request "falls short" of the requirements for such an affidavit in Rule 56(f) is entirely without merit. Mr. Copeland's declaration mirrored that held sufficient in Dunkin-Donuts, supra, directly on point.

Keebler Co. v. Murray Bakery Products, 866 F.2d 1386, 9 USPQ2d 1736 (Fed. Cir. 1989) relied upon by CNV is distinguishable. There, the Board made it clear that the sole issue of likelihood of confusion turned dispositively on the dissimilarity of the two marks involved. Thus, as the Board specifically noted, any additional facts which the opposer could have discovered would have had no bearing on the Board's decision. Id. at 1388-1389, 9 USPQ2d at 1737. Thus, Keebler is distinguishable.

Avia Group Intern., Inc. v. L.A. Gear California, 853 F.2d 1557, 1561, 7 USPQ2d 1548, 1552 (Fed. Cir. 1988); Sweats Fashions v. Pannill Knitting Co., 833 F.2d 1560, 1566-1567 (Fed. Cir.

1987); and Wallace v. Brownell Pontiac-GMC Co., Inc., 703 F.2d 525, 527 (11th Cir. 1983) are also distinguishable. In those cases, the non-movant did not request relief under Rule 56(f) or file an affidavit in support. In this case, Copelands did both.

V. CONCLUSION

In light of the above, it is respectfully urged that the existing precedent of this Court, in reviewing interlocutory partial grants of summary judgment by the Board where judicial economy would be served, be followed in this case and that CNV's motion to dismiss be denied and the appeal allowed to proceed. On the merits, Copelands respectfully requests that the Court reverse the decision of the Board or enter summary judgment on the issue of misuse in Copelands' favor sua sponte as it has the power to do. Jewelers Vigilance Committee, Inc. v. Ullenberg Corp., 853 F.2d 888 n.2, 7 USPQ2d 1628, 1630 n.2 (Fed. Cir. 1988).

Respectfully submitted,

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Date: May 1, 1989

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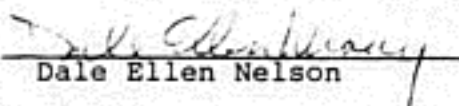
I hereby certify that Copelands' Appellant's Reply Brief in Appeal Nos. 89-1053 and 89-1079 is being deposited in the United States Postal Service Express Mail addressed to:

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