

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
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Cancellation No. 92047553

Staub Design, LLC

v.

David John Carnivale

**Before Cataldo, Wolfson, and Masiello,
Administrative Trademark Judges.**

By the Board:

Staub Design, LLC (“Staub”) has petitioned to cancel the registration of the mark **THE AFFORDABLE HOUSE**, in standard characters, for “architectural plans and specifications,” in International Class 16 and “on-line retail store services featuring books and sets of blue prints,” in International Class 35, owned by David John Carnivale (“Carnivale”)¹ on the grounds of fraud upon the U.S. Patent and Trademark Office, and that the mark is a generic designation for the goods and services. Carnivale, in his answer, denied the salient allegations of the petition to cancel.

In its proposed amended petition for cancellation, Staub maintains its claim of genericness but seeks to delete the fraud claim; pleads ownership of the domain name www.theaffordablehouse.com; notes that the parties were

¹ Registration No. 3058545, issued on February 14, 2006.

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involved in a civil action involving Staub's domain name and Carnivale's registration; and alleges that Carnivale has "otherwise threatened Staub with other actions related to use of the term 'the affordable house.'"

As way of background, the parties to this Board proceeding were involved in a civil action originally filed in the United States District Court, Eastern District of New York, styled, *David John Carnivale v. Staub Design, LLC*, Case No.: 07-cv-2182.² In its October 18, 2007 order, the Board, upon motion by Carnivale, suspended the proceedings pending final disposition of the civil action. The civil action alleged that Staub's use of the domain name, www.theaffordablehouse.com, violates the Anticybersquatting Consumer Protection Act ("ACPA"), codified as § 43(d) of the Lanham Act, 15 U.S.C. § 1115(d).

Now before the Board are:

1. Staub's motion to amend its pleading, filed June 16, 2014; and
2. Carnivale's motion to dismiss, filed July 6, 2007 and renewed December 29, 2010 and May 12, 2014.

The Board will address each matter separately.³

MOTION TO AMEND

In its June 16, 2014 motion to amend its petition to cancel, Staub seeks to delete the existing claim of fraud and to assert a new claim for cancellation

² The civil action was later transferred, for lack of personal jurisdiction, to the United States District Court, District of Delaware, styled, *David John Carnivale v. Staub Design, LLC et al*, Civ. No.08-764-SLR.

³ The Board has considered the parties' submissions and presumes the parties' familiarity with the factual bases for the motions, and does not recount the facts or arguments here, except as necessary to explain the decision.

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on the ground that the registered mark is merely descriptive of Carnivale's goods and services.⁴ Staub predicates its new claim on an alleged change in the pleading standard for fraud and the change in the housing market since the filing of the original petition to cancel, allegedly causing Carnivale's mark to become descriptive. The motion has been fully briefed.

Leave to amend pleadings must be freely given when justice so requires, unless entry of the proposed amendment would violate settled law, would be prejudicial to the rights of the adverse party, or would be futile. *See* Fed. R. Civ. P. 15(a); TBMP § 507.02 (2014). Under appropriate circumstances, the Board liberally grants leave to amend pleadings at any stage of the proceeding. *See, e.g., Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503, 1505 (TTAB 1993); and *United States Olympic Committee v. O-M Bread Inc.*, 26 USPQ2d 1221, 1222 (TTAB 1993). The timing of the motion for leave to amend plays a large role in the Board's determination of whether the adverse party would be prejudiced by allowance of the proposed amendment. For example, the Board will liberally grant such motions when the proceedings are still in the pre-trial stage. *See, e.g., United States Olympic Committee*, 26 USPQ2d at 1222 (applicant not prejudiced because proceeding still in pre-trial phase); *Focus 21 International Inc. v. Pola Kasei Kogyo Kabushiki Kaisha*, 22 USPQ2d 1316, 1318 (TTAB 1992) (motion to

⁴ An amended petition to cancel was included as an attachment to the motion to amend.

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amend filed prior to opening of petitioner's testimony period permitted); TBMP § 507.02(a).

On review of the parties' arguments, the Board finds no evidence of undue delay by Staub in filing its motion to amend its pleading. The concept of "undue delay" is inextricably linked with the concept of prejudice to the non-moving party, *see Marshall Field & Co. v. Mrs. Field Cookies*, 11 USPQ2d 1355, 1359 (TTAB 1989), and here, there is no such prejudice because the proceeding has been suspended, the discovery period has not yet closed and trial has not yet begun. *See Focus 21 International Inc.*, 22 USPQ2d at 1318; TBMP § 507.02(a). Accordingly, Staub did not unduly delay in filing its motion. Any delay in filing its motion to amend is excusable in view of the protracted period of suspension. There also is no evidence of bad faith or dilatory motive on the part of Staub and this is the first time Staub has sought to amend its pleading. *See American Express Marketing & Development Corp. v. Gilad Development Corp.*, 94 USPQ2d 1294, 1297 (TTAB 2010) (finding no abuse of amendment privileges where applicant sought to amend its pleading for the first time).

In view of the foregoing, Staub's motion to amend to add its claim of descriptiveness and to delete its claim of fraud is hereby **GRANTED**. The amended pleading included with Staub's motion to amend shall be the operative pleading.

MOTION TO DISMISS

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We now address Carnivale's motion to dismiss. Carnivale moves the Board to dismiss this proceeding in view of the disposition of his civil action against Staub.

The following court decisions have been provided to the Board:

1. March 31, 2010 District Court of Delaware decision, *see* Dkt. # 17;
2. January 4, 2012 Third Circuit decision, *see* Dkt. # 47;
3. January 7, 2013 District Court decision upon remand from the Third Circuit, *see* Dkt. # 47;
4. December 3, 2013 Third Circuit decision affirming the District Court's January 7, 2013 decision, *see* Dkt. # 47 and 48; and
5. April 21, 2014 United States Supreme Court order denying Staub's petition for writ of certiorari, *see* Dkt. # 47.

Inasmuch as the civil action has been finally determined, the Board will now consider whether the decision on the issues before the court would necessitate dismissal of the current Board proceeding.

Civil Action

On March 31, 2010, the District Court granted, in part, Carnivale's motion for summary judgment,⁵ finding no genuine issues of material fact regarding the distinctiveness of Carnivale's registered mark and that the mark THE AFFORDABLE HOUSE was either inherently distinctive or descriptive with secondary meaning. The court denied Carnivale's motion in part, finding genuine issues with respect to Staub's alleged bad faith.

In its decision of March 31, 2010, the District Court noted that in order to prevail in an ACPA claim, Carnivale must prove that:

⁵ Staub filed a cross-motion for summary judgment on the same issues, which was denied by the court.

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1. his mark was distinctive or famous at the time Staub registered the domain name;
2. Staub's domain name is identical or confusingly similar to (or, if the mark is famous, dilutive of) Carnivale's mark; and
3. Staub registered the domain name with bad faith intent to profit from the mark.

District Court March 31, 2010 Decision, Dkt. # 17 at p. 5; citing Shields v. Zuccarini, 254 F.3d 476, 482 (3d Cir. 2001).

In analyzing the first ACPA factor, the District Court explained that Carnivale's mark, THE AFFORDABLE HOUSE, must be distinctive or famous as of the registration of Staub's domain name, namely, May 2004. The District Court treated the issuance of Carnivale's registration as circumstantial evidence of the distinctiveness of the registered mark. The Court found that the USPTO's allowance of Carnivale's mark for registration under § 1(a) of the Lanham Act without reliance on acquired distinctiveness under § 2(f) indicated the USPTO's finding that the mark was inherently distinctive as of the registration date of 2006. The District Court reasoned that, because inherent distinctiveness is not acquired, if the mark was inherently distinctive in 2006, then it was "inherently distinctive in 2004," the date Staub's domain name was registered. *District Court March 31, 2010 Decision, Dkt. # 17 at p. 8.* The District Court also treated Carnivale's proof of substantially exclusive and continuous use for fourteen years as a second basis for a finding that Carnivale's mark is distinctive. *Id.*

In opposition to Carnivale's motion for summary judgment in the civil action, Staub argued that Carnivale's mark consists of individually generic

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terms and therefore, must be generic as a whole. The District Court was not persuaded by this argument. The District Court explained that a mark must be considered as a whole; that the test for genericness is the primary significance of the term in the minds of the consuming public; and that Staub had put forth only an affidavit from the president of Staub Design which “provides no insight on the view of the consuming public, it has no bearing on the resolution of the primary significance test; it is legally irrelevant.” The Court therefore found that Staub had failed to support its allegations of genericness with sufficient evidence⁶ that would demonstrate that Carnivale’s mark as a whole would be considered generic by consumers. *Id.* at p. 11. The District Court went on to explain that even if it were to give weight to the affidavit regarding genericness submitted by Staub, it did not demonstrate that Carnivale’s mark was generic as used on architecture books, blueprint sets, and online retail services selling these items. *Id.* at pp. 11-12 n.2.

In short, the District Court, on the evidence and arguments before it, held that no genuine issue exists on the question of the distinctiveness of Carnivale’s mark. *Id.* at p. 12. Thereafter, the District Court further noted that Staub’s domain name was identical to Carnivale’s mark but that summary judgment on the issue of bad faith was inappropriate and the issue would be left for trial. *Id.* at pp. 12-15.

⁶ As noted by the court, Staub’s only evidence of record regarding genericness of Carnivale’s mark was a “statement from John Staub, the president of Staub Design, who makes no assertion that he is a member of the ‘consuming public.’” *Id.* at p. 11.

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After a bench trial before the District Court resulted in a judgment for Carnivale, Staub appealed to the Third Circuit Court of Appeals. The Appeals Court reversed the judgment on grounds of an error of the District Court relating to the issue of bad faith and remanded the case for further action.⁷ However, the Appeals Court stated, “We do not here disturb the District Court’s ruling that Carnivale’s mark is distinctive.” *Third Circuit January 4, 2012 Opinion*, Dkt. # 47 at p. 4 n.3. Upon remand, the District Court, in its analysis of bad faith, further analyzed how strong or distinctive Carnivale’s mark was. *District Court January 7, 2013 Decision*, Dkt. # 47 at p. 3. The District Court held that “while not the strongest mark, [Carnivale’s] mark is distinctive.” *Id.* The District Court again found Staub to have adopted its domain name in bad faith and awarded Carnivale damages and prohibited Staub from further use of the domain name. *Id.* at p. 4. Staub again appealed. The Third Circuit, in a December 3, 2013 decision, affirmed the District Court’s January 7, 2013 decision. The Circuit Court, noting Staub’s effort to reargue the issue of distinctiveness, stated, “Our Opinion on the first appeal explicitly stated that ‘[w]e do not here disturb the District Court’s ruling [on summary judgment] that Carnivale’s mark is distinctive....’ [Citation omitted.] Consequently, this challenge is foreclosed under ‘law-of-the-case doctrine’ which ‘bars our reconsideration of issues previously resolved by an earlier panel.’” *Third Circuit December 3, 2013 Decision*, Dkt. # 47 at p. 2 n.2.

⁷ Staub, at Dkt. #47, provided the Board with copies of the decisions in the first and second appeal to the Third Circuit, subsequent remand to the District Court, and the United States Supreme Court’s denial of writ of certiorari.

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On April 21, 2014, the United States Supreme Court denied Staub's petition for writ of certiorari as untimely.

Collateral Estoppel/Issue Preclusion

"Under the doctrine of collateral estoppel or 'issue preclusion,' once an issue is actually and necessarily determined by a court of competent jurisdiction, that determination is normally conclusive in a subsequent suit involving the parties to the prior litigation." *Stephen Slesinger Inc. v. Disney Enterprises Inc.*, 98 USPQ2d 1890, 1894 (TTAB 2011); citing *Int'l Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 220 USPQ 1017, 1019 (Fed. Cir. 1984). The rationale is that a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided again. *Stephen Slesinger Inc.*, 98 USPQ2d at 1894; *Mother's Rest. Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394, 397 (Fed. Cir. 1983).

Issue preclusion applies where:

1. the issue to be determined is identical to the issue involved in the prior litigation;
2. the issue was raised, litigated and actually adjudged in the prior action;
3. the determination of the issue was necessary and essential to the resulting judgment; and
4. the party precluded was fully represented in the prior action.

Stephen Slesinger Inc., 98 USPQ2d at 1894; see *Mayer/Berkshire Corp. v. Berkshire Fashions Inc.*, 424 F.3d 1229, 76 USPQ2d 1310, 1312-13 (Fed. Cir. 2005); *Jet Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 55 USPQ2d 1854,

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1858-59 (Fed. Cir. 2000); and *Larami Corp. v. Talk To Me Programs Inc.*, 36 USPQ2d 1840, 1843-44 (TTAB 1995).

Review of the decisions in the prior civil action and the current Board proceeding show that issue preclusion applies to the issue of distinctiveness. More specifically, as discussed *supra*, (1) the issues of descriptiveness and genericness are identical to the issues analyzed by the courts in the prior decisions, (2) they were raised, litigated and actually adjudged in the prior civil action, (3) the determination of whether Carnivale's mark was distinctive was necessary and essential to the courts' decisions, and (4) Staub was fully represented by counsel in the prior civil action.

In its July 14, 2014 submission, Staub argues, *inter alia*, that the civil action decided whether Carnivale's mark was distinctive only as of the time Staub registered its domain name, namely 2004. Staub argues that the "2004 date is irrelevant to this proceeding ... this cancellation proceeding is about whether the term 'the affordable house' was generic or descriptive and lacked secondary meaning as of (1) January 2005, when Mr. Carnivale filed his application, (2) February 2006, when the registration issued, or (3) even when the Board renders its decision in this cancellation proceeding." *Staub's July 14, 2014 Reply Brief*, pp. 2-3.

The Board is unpersuaded by this argument. Nothing in the Court's decision compels the conclusion that its finding of distinctiveness was limited to a particular time. Moreover, during the civil proceedings Staub had, and

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availed itself of, the opportunity to present to the Court all evidence at its disposal to indicate that the mark, as Staub contended, had become generic or otherwise lost its distinctiveness. Nothing in Staub's submissions to this Board indicates that the issues in this proceeding differ from those that were litigated before the District Court and affirmed by the Third Circuit Court of Appeals.

As a result of the prior civil litigation involving the same parties and the same mark involved in this Board proceeding, Staub's claims of descriptiveness and genericness are barred by collateral estoppel/issue preclusion. Accordingly, Carnivale's motion to dismiss is granted and the petition for cancellation is **DISMISSED with prejudice**.

In view of the Board's decision herein, any other pending motions not addressed in this order are moot.