

**THIS OPINION
IS NOT A PRECEDENT
OF THE T.T.A.B.**

**UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1491
Alexandria, Virginia 22313-1491**

Lykos

Mailed: December 30, 2015

Cancellation No. 92060308

SFM, LLC

v.

Corcamore, LLC.

Before Zervas, Lykos, and Masiello, Administrative Trademark Judges.

By the Board:

Now before the Board are (1) Respondent's motion for reconsideration of the Board's denial of Respondent's motion to dismiss under Fed. R. Civ. P. 12(b)(6); (2) Respondent's motion for summary judgment on the ground of collateral estoppel or issue preclusion;¹ (3) Respondent's motion for sanctions pursuant to Fed. R. Civ. P. 11; and (4) Respondent's motion to strike. The motions are fully briefed.

Respondent's Motion for Summary Judgment

First we consider Respondent's motion for summary judgment on the

¹ See Board's Denial of Respondent's Motion to Dismiss dated April 30, 2015 (Board construed Respondent's arguments presented in its motion to dismiss as a motion for summary judgment based on the doctrine of collateral estoppel), pp. 7-9; 14 TTABVue 7-9.

ground of collateral estoppel or issue preclusion.² In the present Board proceeding, Petitioner seeks to cancel Respondent's registration for the mark SPROUT (standard characters) for "vending machine services" in International Class 35³ on the grounds of likelihood of confusion and priority under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d). As part of its claim of priority, Petitioner alleges ownership and prior use of the registered marks SPROUTS,⁴ SPROUTS FARMERS MARKET⁵ and SPROUTS FARMERS MARKET and design⁶ all for "retail grocery store services" in International Class 35.⁷ Respondent argues that Petitioner is precluded from bringing its asserted Section 2(d) claim in this proceeding based on a 2012 preliminary injunction order issued by a California district court in a trademark infringement suit involving Petitioner and an unrelated third party, Sprouts Natural Market, Inc.,⁸ a "family owned and operated organic

² We hereby deem Respondent's answer to Petitioner's amended petition to cancel (the operative pleading in this case) amended to include issue preclusion as an affirmative defense to Petitioner's Section 2(d) claim.

³ Registration No. 3708453, issued November 10, 2009 on the Principal Register; Sections 8 and 15 affidavits acknowledged and accepted.

⁴ Registration No. 3322841, issued October 30, 2007 on the Principal Register; Sections 8 and 15 affidavits acknowledged and accepted.

⁵ Registration No. 2798632, issued December 23, 2003 on the Principal Register; Sections 8 and 15 affidavits acknowledged and accepted; renewed.

⁶ Registration No. 4002187, issued July 26, 2011 on the Principal Register.

⁷ First Amended Petition to Cancel, ¶ 5; 6 TTABVue 3.

⁸ *SFM, LLC v. Sprouts Natural Market Inc.*, Doct No. 3:11-CV-2640 (S.D. Cal.)

grocery store” with a single location in Temecula, California.⁹ At the preliminary injunction stage, the court made a factual finding that Sprout’s Natural Market Inc. had “prior and continuous use” of the mark SPROUTS NATURAL MARKET¹⁰ over Petitioner’s pleaded SPROUT and SPROUT formative marks and enjoined use of Petitioner’s marks at its Temecula, Riverside, Hemet and Corona locations in Riverside County, California. Respondent maintains that the preliminary injunction precludes Petitioner from asserting priority in the instant cancellation proceeding. In response thereto, Petitioner has introduced evidence that the preliminary injunction was never formally entered because the civil suit settled.¹¹

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. *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 220 USPQ 1017, 1019 (Fed. Cir. 1984). The underlying 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

⁹ *SFM, LLC v. Sprouts Natural Market Inc.*, “Order Granting in Part Defendant’s/Counterclaimant’s Motion for Preliminary Injunction,” p. 2 n.2; 8 TTABVUE 25.

¹⁰ *Id.* at 9; 8 TTABVUE 32.

¹¹ *SFM, LLC v. Sprouts Natural Market Inc.*, “Order Granting Revised Joint Motion to Stay the Order Granting in Part Defendant’s/Counterclaimant’s Motion for Preliminary Injunction” and “Order Granting Joint Motion and Stipulation for Dismissal with Prejudice”; 16 TTABVUE 15-21.

decided again. *Mother's Rest, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 221 USPQ 394, 397 (Fed. Cir. 1983). The requirements that must be met for issue preclusion are:

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

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

Summary judgment is an appropriate method of disposing of cases in which there is no genuine dispute with respect to any material fact, thus leaving the case to be resolved as a matter of law. *See* Fed. R. Civ. P. 56(c)(1). A party moving for summary judgment has the burden of demonstrating the absence of any genuine dispute as to a material fact, and that it is entitled to judgment as a matter of law. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986); *Sweats Fashions, Inc. v. Pannill Knitting Co. Inc.*, 833 F.2d 1560, 4 USPQ2d 1793, 1796 (Fed. Cir. 1987). The nonmoving party must be given the benefit of all reasonable doubt as to whether genuine issues of material

fact exist, and the evidentiary record on summary judgment, and all inferences to be drawn from the undisputed facts, must be viewed in the light most favorable to the nonmoving party. *See Opryland USA, Inc., v. Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992).

After careful review of the record, we find that, as a matter of law, the instant cancellation proceeding is not barred by the doctrine issue preclusion and, therefore, Respondent is not entitled to summary judgment on this basis. The issue of priority in the civil suit is entirely different from the issue of priority here. That is because priority vis-à-vis Petitioner and a third-party unrelated to Respondent has no bearing on this proceeding. Thus, even assuming *arguendo* that the remaining prerequisites for issue preclusion have been met, because the issue of priority in the civil suit cannot be identical to the issue of priority now before the Board, the doctrine of collateral estoppel does not apply.

In view of the foregoing, Respondent's motion for summary judgment is denied.

Respondent's Motion for Sanctions

Turning next to Respondent's Fed. R. Civ. P. 11 motion for sanctions, it is hereby denied as procedurally improper. Fed. R. Civ. P. 11(c)(2) provides specific instructions regarding how to initiate a motion under this rule, and requires service of a proposed motion upon the party against whom the misconduct is alleged twenty-one days before the motion is filed. Respondent

served its motion on Petitioner's attorney contemporaneously with its filing of the motion with the Board, thus violating the "safe harbor" provision of Rule 11. Threatening to file a Rule 11 motion twenty-one days prior to filing the motion with the Board does not constitute compliance with the safe harbor provision.

That being said, even if we did consider the merits of Respondent's Rule 11 motion, it would be denied.¹² We further remind counsel for Respondent that filing of a meritless Rule 11 motion against an adversary may be viewed as sanctionable conduct. *See* Fed. R. Civ. P. 11(b) and (c) ("As under former Rule 11, the filing of a motion for sanctions is itself subject to the requirements of the rule and can lead to sanctions." Advisory Committee's note (1993).

Respondent's Motion to Strike

Respondent moves to strike portions of Petitioner's August 3, 2015 brief and attachments responsive to Respondent's motion for Rule 11 sanctions referencing the parties' private settlement negotiations as not germane to the

¹² Respondent moved for Rule 11 sanctions on the ground that Petitioner's amended pleading lacks evidentiary support because it falsely alleges in Paragraph 10 in the Amended Petition to Cancel that Respondent "owns vending machines or operates vending machines" branded with the SPROUT name. Petitioner counters that it did conduct pre-filing investigation regarding its asserted allegations, and with its brief, submitted excerpts from Respondent's own web site showing the SPROUT mark advertised along with the depiction of a vending machine. Petitioner's Responsive Brief to Petitioner's Motion for Rule 11 Sanctions, pp. 5-7 (Ex. C); 22 TTABVUE 7-8. As such, Petitioner's allegations do not meet the standard for sanctionable conduct under Rule 11. Respondent also asserts that the amended petition to cancel violates Rule 11 because there is no evidentiary support that Respondent's vending machines compete with Petitioner's brick and mortar grocery stores. This however is merely an allegation in the petition to cancel to be proved at trial.

pending motion for summary judgment under Trademark Rule 2.127(d).¹³ In particular, one submission consists of a fax from Respondent's counsel threatening a "procedural Rubicon" if Respondent is not paid a specified dollar figure to settle this case. With its motion, Respondent has submitted a copy of Petitioner's August 3, 2015 responsive brief highlighting the portions Respondent believes should now be redacted from the public record. Petitioner counters that Respondent's motion to strike is "nonsensical" and explains that it submitted the fax as support for its position that Respondent's Rule 11 motion was frivolous.

Respondent's motion to strike is denied to the extent that Petitioner was entitled to present evidence regarding the parties' settlement discussions in support of its counter-argument that Respondent brought a frivolous Rule 11 motion for sanctions. *See* Fed. R. Evid. 408 ("Since the rule excludes only when the purpose is proving the validity or invalidity of the claim or its amount, an offer for another purpose is not within the rule.").¹⁴ Advisory

¹³ Respondent also contends that Petitioner's attorney is subject to the civility standards of the U.S. District Court for the Northern District of Illinois and has attached a copy of a document entitled "Standards for Professional Conduct Within the Seventh Federal Judicial Circuit." The Board, as an administrative tribunal, is not governed by these provisions. Rather, the conduct of an attorney or representative appearing before the Board is governed by Part 11 of 37 C.F.R., Subpart D "USPTO Rules of Professional Conduct" (37 C.F.R. §§ 11.101-37; 37 C.F.R. § 11.901). We see no reason why this matter should be referred to the USPTO Office of Enrollment and Discipline. *See* Trademark Trial and Appeal Board Manual of Procedure ("TBMP") § 115.01 (2015).

¹⁴ **Fed. R. Evid. 408. Compromise Offers and Negotiations**

(a) Prohibited Uses. Evidence of the following is not admissible — on behalf of any party — either to prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction:

Committee notes (2011). Furthermore, we find that most of Respondent's proposed redactions to Petitioner's August 3, 2015 responsive brief to be over-inclusive insofar as much of the material consists of argumentation and not truly confidential matter. *See* Trademark Trial and Appeal Board Manual of Procedure ("TBMP") § 412.01(c) (2015) ("Over-designation: Improper designation of confidential filings with the Board"). The motion however is granted to the extent that the dollar figure offered for settlement should have been redacted as confidential. To protect the confidentiality of both parties, the Board has now designated the entire submission as confidential. Respondent is therefore ordered to file a redacted version with only the dollar amount redacted within **TWENTY (20) days** from the mailing date of this order, failing which the entire submission will be made available to the public again.

Sanction Against Respondent

We observe that Respondent has already filed an inordinate number of motions (all of which have been denied) at a very early stage in this proceeding resulting in increased litigation costs to both parties. To borrow

(1) furnishing, promising, or offering — or accepting, promising to accept, or offering to accept — a valuable consideration in compromising or attempting to compromise the claim; and

(2) conduct or a statement made during compromise negotiations about the claim — except when offered in a criminal case and when the negotiations related to a claim by a public office in the exercise of its regulatory, investigative, or enforcement authority.

(b) Exceptions. The court may admit this evidence for another purpose, such as proving a witness's bias or prejudice, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution.

counsel for Respondent's own reference to Julius Caesar, he has crossed the Rubicon. This kind of advocacy has no place in any Board proceeding, an administrative tribunal with jurisdiction over the question of registrability only. USPTO Rule 11.18(b) provides in relevant part:

...

(b) By presenting to the Office ... any paper, the party presenting such paper, whether a practitioner or non-practitioner, is certifying that—

...

(2) To the best of the party's knowledge, information and belief, formed after an inquiry reasonable under the circumstances,

(i) The paper is not being presented for any improper purpose, *such as to harass someone or to cause unnecessary delay or needless increase in the cost of any proceeding before the Office*;

(ii) The other *legal contentions therein are warranted by existing law* or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law (emphasis added).

Accordingly, Respondent is prohibited from filing any additional unconsented or unstipulated motions without first obtaining prior Board permission. *See, e.g., International Finance Corp. v. Bravo Co.*, 64 USPQ2d 1597, 1605 (TTAB 2002). *See also* TBMP § 527.03 ("Inherent Authority to Sanction) and cases cited in Note 4. In seeking such permission, counsel for Respondent is required to contact by telephone the Board interlocutory attorney assigned to this case to conduct a case conference with counsel for Petitioner also present. In the event that after the service of discovery, Respondent seeks to file a motion to compel or any other motions related to discovery or disclosures, it is also required to provide to the Board, with proper service on

Petitioner, in writing a statement of good-faith effort made under Trademark Rule 2.120(e), a copy of each discovery request or notice of deposition in dispute, and a copy of all correspondence and e-mails involving the discovery requests(s) or notice(s) of deposition prior to the telephone conference. Counsel for Respondent must also be prepared to identify each conversation with Petitioner regarding the discovery request(s), notice(s) of deposition or disclosures and describe the substance thereof.

Motion for Reconsideration

On April 30, 2015, the Board denied Respondent's Fed. R. Civ. P. 12(b)(6) motion to dismiss for various reasons, including that Petitioner had properly alleged its standing to bring this case. In its Rule 12(b)(6) motion, Respondent urged the Board to apply the zone of interests test and proximate causality requirement as articulated by the Supreme Court in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, __ U.S. __, 134 S.Ct. 1377, 109 USPQ2d 2061 (U.S. 2014) to analyze standing. The Board disagreed, reasoning that *Lexmark* involved a different type of claim -- false advertising in a civil action under Section 43 of the Lanham Act. As further support, the Board also relied on a Federal Circuit opinion issued after *Lexmark*, *Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 111 USPQ2d 1058 (Fed. Cir. 2014), which applies the *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999) test for standing in lieu of *Lexmark*.

Respondent now moves for reconsideration based on the Eastern District of Virginia's opinion in *Belmora LLC v. Bayer Consumer Care AG*, 115 USPQ2d 1032 (E.D. Va. 2015). In the underlying Board cancellation proceeding, *Bayer Consumer Care AG v. Belmora LLC*, 110 USPQ2d 1623 (TTAB 2014), the petitioner brought claims under Article 6bis of the Paris Convention and Section 14(3) of the Lanham Act for misrepresentation of source. The Board applied the *Ritchie v. Simpson* standard to determine standing. The Eastern District, however, in reviewing the Board's determination on standing applied *Lexmark*, stating that *Lexmark* was the proper test for determining whether a plaintiff has standing to bring a claim under the Lanham Act. *Belmora LLC v. Bayer Consumer Care AG*, 115 USPQ2d at 1038. *Belmora* is now currently on appeal before the Court of Appeals for the Fourth Circuit. In view thereof, we defer our determination of Respondent's motion for reconsideration. Proceedings remain suspended pending disposition of the appeal in *Belmora*.