

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

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SALU, INC., a Delaware corporation,

NO. CIV. S-08-1035 FCD/KJM

Plaintiff,

v.

MEMORANDUM AND ORDER

THE ORIGINAL SKIN STORE, an
Arizona limited liability
company,

Defendant.

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This matter comes before the court on defendant The Original Skin Store's ("TOSS") motion to dismiss for partial summary judgment pursuant to Federal Rule of Civil Procedure 56(d) with respect to plaintiff's trademark registration No. 3,087,484 (the "484 trademark") and on defendant's first affirmative defense of fraud on the United States Patent and Trademark Office ("USPTO"). Plaintiff Salu, Inc. ("Salu") opposes the motion. For the

1 reasons set forth below,¹ TOSS' motion for partial summary
2 judgment is DENIED.

3 **BACKGROUND²**

4 Plaintiff Salu, dba SkinStore, owns and operates the website
5 www.SkinStore.com, through which it has advertised and sold a
6 variety of skin care and related products since 1997. (Compl.,
7 filed May 9, 2008, ¶ 7.) Defendant TOSS has been using THE
8 ORIGINAL SKIN STORE as a trademark continuously since February
9 2004. (UF ¶ 19.) Plaintiff was not aware of TOSS until January
10 2008. (UF ¶ 27.)

11 On August 26, 1998, Brainbow, Inc. ("Brainbow") filed a
12 trademark application for the two-word mark, SKIN STORE. (UF ¶
13 1.) In a response dated January 21, 1999, the trademark examiner
14 issued an office action refusing to allow registration upon the
15 Principal Register, in part, because the two-word mark was merely
16 descriptive as it immediately named a feature of the services.
17 (UF ¶ 1.) On July 21, 1999, Brainbow amended the application to
18 register the two-word mark on the Supplemental Register; the mark
19 was registered on May 30, 2000 as Trademark No. 2,354,182. (UF ¶
20 1.) In 2001, Salu acquired the rights to the two-word mark, SKIN
21 STORE, by assignment. (UF ¶ 1.)

22 On May 2, 2005, Salu filed a trademark application for the
23 one-word mark, SKINSTORE. (UF ¶ 2.) The application claimed
24

25 ¹ Because oral argument will not be of material
assistance, the court orders the matter submitted on the briefs.
26 E.D. Cal. L.R. 230(g).

27 ² Unless otherwise noted, the facts herein are
28 undisputed. (See Pl.'s Response to Stmt. Of Undisputed Facts
("UF"), filed Mar. 12, 2010.)

1 ownership of the SKINSTORE mark and provided that "[the] mark has
2 become distinctive of the goods/services through applicant's
3 substantially exclusive and continuous use in commerce for at
4 least the five year immediately before the date of this
5 statement." (UF ¶ 2.) The applicant's claim of substantially
6 exclusive use is made under declaration that all statements made
7 on either knowledge or information and belief are true
8 statements. (UF ¶ 2.) Salu's registration for the one-word
9 mark, SKINSTORE, issued on May 2, 2006, Registration No.
10 3,087,484. (Ex. 2 to UF.)

11 Prior to its trademark application in 2005, Salu sent
12 communications to Eternal Skin Care, Inc. ("ESC") of Vancouver,
13 British Columbia, regarding its use of ESKINSTORE. (See UF ¶¶ 3-
14 4.) In a letter dated April 10, 2003, Salu claimed a trademark
15 right in the one-word mark, SKINSTORE, and referred to the
16 registration of the two-word mark, SKIN STORE, on the
17 supplemental register. (UF ¶ 3.) Salu asserted that ESC's use
18 of ESKINSTORE was infringement because it was being used in
19 commerce and was confusingly similar to SKINSTORE. (UF ¶ 3.) On
20 July 19 and 20, 2004, Salu sent additional communications via
21 email and federal express, further alleging use in commerce and
22 intentional infringement and demanding a response within two
23 weeks. (UF ¶ 4.) Salu threatened that it would take action if
24 it did not receive a reply. (UF ¶ 4.)

25 On August 11, 2004, Salu sought recourse against the use of
26 the term ESKINSTORE through the Uniform Domain Name Dispute
27 Resolution Policy ("UDRP"), a method administered by the Internet
28 Corporation for Assigned Names and Numbers ("ICANN"). (UF ¶ 5.)

1 Salu chose to use the World Intellectual Property Organization
2 ("WIPO") Arbitration and Mediation Center. (UF ¶ 5.) Salu
3 alleged that the use of www.eskinstore.com, which was registered
4 on October 30, 2001, causes consumer confusion. (UF ¶¶ 6-7.)

5 On October 6, 2004, the WIPO panel issued a decision
6 refusing to find a clear case of cybersquatting. (Ex. 4 to UF at
7 8.) Specifically, while the panel found "that the Domain name is
8 confusingly similar to a service mark in which the [Salu] has
9 rights," it concluded that there was insufficient evidence of bad
10 faith and actual confusion. (Id. at 5-6.) The panel also noted
11 that ESC "may be infringing" upon Salu's rights, but that the
12 Panel was "not competent to assess the issue under US law." (Id.
13 at 6.) As such, the panel declared that it "is of the view that
14 this is the sort of dispute which would be better decided by a
15 Court rather than by way of the UDRP." (Id. at 8.)

16 Salu disagreed with the panel's decision and considers
17 ESKINSTORE to be "severely infringing" on its mark. (Ex. 5 to UF
18 at 80:6.) Salu asserts that since the decision of the WIPO
19 panel, it has been continually trying to discern who the owners
20 of ESKINSTORE are and where they are located; it plans to take
21 additional action once it gains this information. (Id. at 78:19-
22).

23 Salu presents evidence that it has continually contacted
24 anyone who it feels is infringing in order to protect its mark.
25 (Id. at 116:23-25.) It has sent out over 300 cease and desist
26 letters to alleged infringers in the last couple of years alone.
27 (Id. at 116:14-15.) Salu claims that with the exception of
28 ESKINSTORE, this litigation, and one other case that settled out

1 of court, "every other infringer receives [the] letter and stops
2 infringing on [the] trademark." (UF ¶ 17.)

3 Salu claims that it was not required, nor asked, by the
4 USPTO, to submit evidences of uses that were either
5 inconsequential or infringing. (UF ¶ 21.) The USPTO never
6 requested additional evidence of acquired distinctiveness during
7 the prosecution of Salu's May 2, 2005 application for the one-
8 word mark, SKINSTORE. (UF ¶ 28.) Salu maintains that it is a
9 senior user of the SKINSTORE term above all others. (UF ¶ 21.)

10 On May 9, 2008, plaintiff filed a complaint against TOSS in
11 the Eastern District of California, alleging federal claims for
12 trademark infringement and cybersquatting and a state law unfair
13 business practice claim based upon the same conduct. (Compl. ¶¶
14 16-32.)

15 **STANDARD**

16 The Federal Rules of Civil Procedure provide for summary
17 judgment where "the pleadings, the discovery and disclosure
18 materials on file, and any affidavits show that there is no
19 genuine issue as to any material fact and that the movant is
20 entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c);
21 see California v. Campbell, 138 F.3d 772, 780 (9th Cir. 1998).
22 The evidence must be viewed in the light most favorable to the
23 nonmoving party. See Lopez v. Smith, 203 F.3d 1122, 1131 (9th
24 Cir. 2000) (en banc).

25 The moving party bears the initial burden of demonstrating
26 the absence of a genuine issue of fact. See Celotex Corp. v.
27 Catrett, 477 U.S. 317, 325 (1986). If the moving party fails to
28 meet this burden, "the nonmoving party has no obligation to

1 produce anything, even if the nonmoving party would have the
2 ultimate burden of persuasion at trial." Nissan Fire & Marine
3 Ins. Co. v. Fritz Cos., 210 F.3d 1099, 1102-03 (9th Cir. 2000).
4 However, if the nonmoving party has the burden of proof at trial,
5 the moving party only needs to show "that there is an absence of
6 evidence to support the nonmoving party's case." Celotex Corp.,
7 477 U.S. at 325.

8 Once the moving party has met its burden of proof, the
9 nonmoving party must produce evidence on which a reasonable trier
10 of fact could find in its favor viewing the record as a whole in
11 light of the evidentiary burden the law places on that party.
12 See Triton Energy Corp. v. Square D Co., 68 F.3d 1216, 1221 (9th
13 Cir. 1995). The nonmoving party cannot simply rest on its
14 allegations without any significant probative evidence tending to
15 support the complaint. See Nissan Fire & Marine, 210 F.3d at
16 1107. Instead, through admissible evidence the nonmoving party
17 "must set forth specific facts showing that there is a genuine
18 issue for trial." Fed. R. Civ. P. 56(e).

ANALYSIS

20 Defendant TOSS contends that plaintiff Salu's registration
21 of the one-word mark, SKINSTORE, should be cancelled because it
22 was procured by fraud. Specifically, defendant contends that
23 Salu made a knowingly false representation of a material fact by
24 stating that it had substantially exclusive use of the SKINSTORE
25 mark for five years prior to the declaration in support of
26 registration.

27 A third party may petition to cancel a registered trademark
28 on the ground that the "registration was obtained fraudulently."

1 15 U.S.C. § 1064(3); In re Bose Corp., 580 F.3d 1240, 1243 (Fed.
2 Cir. 2009). "Fraud in procuring a trademark registration or
3 renewal occurs when an applicant knowingly makes false, material
4 representations of fact in connection with his application."
5 Bose, 580 F.3d at 1243 (quoting Torres v. Cantine Torresella
6 S.r.l., 808 F.2d 46, 48 (Fed. Cir. 1986)).

7 A party seeking cancellation of a trademark registration
8 based upon fraudulent procurement "bears a heavy burden." Id.
9 Such fraud must be demonstrated by clear and convincing evidence.
10 Id. "There is no room for speculation, inference or surmise and,
11 obviously, any doubt must be resolved against the charging
12 party." Id. (quoting Smith Int'l, Inc. v. Olin Corp., 209
13 U.S.P.Q. 1033, 1044 (T.T.A.B. 1981)).

14 The party seeking cancellation must identify a deliberate
15 attempt by the registrant to mislead The Patent & Trademark
16 Office (the "PTO"). Halo Mgmt., LLC v. Interland, Inc., 308 F.
17 Supp. 2d 1019, 1031 (N.D. Cal. 2003). "Merely making a false
18 statement is not sufficient to cancel a mark." L.D. Kichler Co.
19 v. Davoil, Inc., 192 F.3d 1349, 1351 (Fed. Cir. 1999). The party
20 must point to statements of representations that demonstrate more
21 than mere error or inadvertence. Halo Mgmt., 308 F. Supp. 2d at
22 1031. Importantly, there is "a material legal distinction
23 between 'false' representation and a 'fraudulent' one, the latter
24 involving an intent to device, whereas the former may be
25 occasioned by a misunderstanding, an inadvertence, a mere
26 negligent omission, or the like." Bose, 580 F.3d at 1243
27 (quoting Kemin Indus., Inc. v. Watkins Prods., Inc., 192 U.S.P.Q.
28 327, 329 (T.T.A.B. 1976)). "Deception must be willful to

1 constitute fraud." Id. "[B]ecause direct evidence of deceptive
2 intent is rarely available, such intent can be inferred from
3 indirect and circumstantial evidence." Id. at 1245 (quoting Star
4 Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357,
5 1366 (Fed. Cir. 2008)) (noting that the "involved conduct, viewed
6 in light of all the evidence must indicate sufficient culpability
7 to require a finding of intent to deceive").³

8 Under § 2(f) of the Lanham Act, *prima facie* evidence of
9 distinctiveness includes "proof of substantially exclusive and
10 continuous use" of a mark for five years. 15 U.S.C. § 1052(f).
11 However, "[t]he five years of use does not have to be exclusive,
12 but may be 'substantially' exclusive. This makes allowance for
13 use by others which may be inconsequential or infringing and
14 which therefore does not necessarily invalidate the applicant's
15 claim." L.D. Kichler Co., 192 F.3d at 1352. Accordingly,
16 evidence of "use by others is insufficient to preclude an
17 applicant's declaration of 'substantially exclusive' use." Id.
18 (citing Yamaha Int'l Corp. v. Hoshino Gakki Co., 840 F.2d 1572,
19 1583 (Fed Cir. 1988) (affirming board's rejection of section 2(f)
20 opposition, in spite of evidence that four other companies made
21 similar products prior to registration)).

22 In this case, defendant has failed to meet its heavy burden
23 of establishing plaintiff's intent to deceive the USPTO through

24 ³ The party seeking cancellation must then demonstrate
25 that misstatements were made with respect to a material fact.
26 Halo Mgmt., 308 F. Supp. 2d at 1031. A material fact is "one
27 that would have affected the PTO's action on the applications."
28 Id. (quoting Orient Express Trading Co. v. Federated Dep't
Stores, Inc., 842 F.2d 650, 653 (2d Cir. 1988)). Because
plaintiff has demonstrated triable issues of fact regarding the
intent to defraud, the court does not reach this second inquiry.

1 its declaration of five years of "substantially exclusive" use.
2 Defendant relies primarily on the WIPO decision, in which the
3 panel concluded that it did not have sufficient evidence to
4 establish a clear case of cybersquatting. While defendant
5 contends that the WIPO decision is evidence of substantial, non-
6 infringing by ESC, such contention is belied by the actual
7 findings made by the panel. The panel expressly noted that it
8 was not competent to assess an infringement action under US law
9 and that the dispute was one better decided by a court. The
10 panel pointedly did not decide that ESC's use was non-infringing.
11 As such, the failure of plaintiff to disclose the WIPO decision
12 or ESC's use of the mark does not demonstrate willful deception
13 by clear and convincing evidence.

14 Further, plaintiff presents evidence that it has been active
15 in preventing third parties from using the mark through the use
16 of cease and desist letters. Indeed, plaintiff presents evidence
17 that in all but three circumstances, including this litigation,
18 the cease and desist letters resulted in the third party's
19 discontinued use of the mark. As such, defendant's evidence of
20 other third party's use of the mark is insufficient to support a
21 finding by clear and convincing evidence that plaintiff committed
22 fraud upon the USPTO.⁴

23

24 ⁴ Defendant cites the non-precedential opinion of the
25 Trademark Trial and Appeal Board ("TTAB") in In re Pro Bono
26 Institute, 2008 WL 3211814 (T.T.A.B. July 22, 2008), to support
27 its assertion Salu should have provided evidence that any third
party use was inconsequential or infringing. However, the facts
of this case are distinguishable from the facts before the TTAB.
First, in In re Pro Bono, the applicant challenged the denial of
registration. In this case, the USPTO has already registered the
28 (continued...)

CONCLUSION

Accordingly, for the foregoing reasons, defendant's motion for partial summary judgment is DENIED.

IT IS SO ORDERED.

DATED: April 12, 2010.



FRANK C. DAMRELL, JR.
UNITED STATES DISTRICT JUDGE

⁴(. . . continued)

mark at issue. Second, in In re Pro Bono, the TTAB held that the mark was highly descriptive and thus, "a mere statement of five years of use is insufficient to establish acquired distinctiveness." In this case, the USPTO did not make a finding that the mark at issue was highly descriptive and did not require additional evidence of acquired distinctiveness. Accordingly, while Salu may have chosen to provide more evidence that third party uses were inconsequential or infringing, defendant has failed to cite any authority that it was required to do so.