

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

Wind Turbine Industries Corp.,

Plaintiff,

File No. 09-CV-00036 (MJD/SRD)

v.

Jacobs Wind Electric Company, Inc.,

Defendant.

MEMORANDUM IN SUPPORT OF DEFENDANT'S
MOTION FOR PARTIAL SUMMARY JUDGMENT

INTRODUCTION

Jacobs Wind Electric Co., Inc. ("Jacobs Wind") is a manufacturer, supplier and design firm for wind powered energy systems which owns incontestable U.S. Trademark 1,532,714 for the mark, JACOBS WIND ENERGY SYSTEMS and "whale-tail" design, as well as U.S. Trademark Application Ser. No. 76/677,473 for the mark, JACOBS. Wind Turbine Industries Corp. ("WTIC") seeks to convince this Court that WTIC is a successor to Jacobs Wind Electric Co., Inc., and that this Court should usurp the authority of the United States Patent and Trademark Office ("PTO") by preventing registration of the pending trademark "JACOBS" and canceling the incontestable trademark registration.

There is no basis in law or in the undisputed factual record that WTIC is a successor of any kind to Jacobs Wind Electric Co. Inc., or that WTIC has any standing to

request cancelation of Jacobs Wind's trademarks. The undisputed facts in this matter show that Jacobs Wind has been continuously operated by the Jacobs family company since 1928. Jacobs Wind has continuously used its marks and intellectual property to promote and indicate the source of the company's goods and services to the wind energy market. Defendants therefore make this motion for partial summary judgment on Plaintiff's Claim 2 for fraud on the United States Patent and Trademark Office, paragraphs 34-40 and including Plaintiff's requests for cancellation of Jacobs Wind's registered trademarks and for refusal of Jacobs Wind's pending trademark application.

FACTS

The gravamen of WTIC's claim is alleged in its Amended Complaint at paragraph 6:

Wind Turbine Industries brings this action to protect its JACOBS trademark against continued infringement by Defendant. Wind Turbine Industries and its predecessors in interest have used the JACOBS mark since at least as early as 1979 in connection with wind energy products. Defendant is wrongfully using and has fraudulently obtained a registration for the mark JACOBS WIND ENERGY SYSTEMS & Design in connection with identical goods, and is wrongfully using and fraudulently seeking registration of the mark JACOBS in connection with identical goods. Defendant's use of JACOBS and JACOBS WIND ENERGY SYSTEMS & Design violates Wind Turbine Industries' rights and is likely to cause confusion among consumers unless such use is enjoined, Defendant's registration for the mark JACOBS WIND ENERGY SYSTEMS & Design is cancelled, and Defendant's application for the mark JACOBS is refused registration.

Originally, the mark JACOBS, Reg. No. 1,206,629 (the "'629 mark") was registered on the Supplemental Register by the PTO on August 24, 1982, by Jacobs Wind

Electric Company (Delaware Corporation) “Jacobs Delaware”. Jacobs Delaware was subsequently renamed “Earth Energy Systems, Inc. (EESI)”;

WTIC alleges that:

By an agreement dated December 15, 1986, EESI granted all right, title, and interest in Registration No. 1,206,629 for the mark JACOBS to Wind Turbine Industries.

WTIC alleges that it “and its predecessors in interest have been using the JACOBS mark in connection with the manufacture, sale, and promotion of wind energy equipment since at least as early as 1979.” It claims to have “developed a strong reputation for manufacturing and selling high quality wind energy products under the JACOBS mark”; that it “has advertised and promoted its JACOBS mark, and has made substantial sales of its wind energy products bearing the JACOBS mark”. Therefore, WTIC claims that:

As a result of these activities, the JACOBS mark has achieved widespread consumer recognition in the wind energy industry, making it a strong mark entitled to broad protection against infringement.

WTIC’s Amended Complaint leaves out a number of dispositive facts. First, the ‘629 mark registered on the Supplemental Register in 1982 was cancelled for nonrenewal in 2002 by the PTO. (Affidavit of Scott Daniels, Exhibit 1). Second, WTIC also failed to disclose that it applied for the JACOBS mark in Application Serial No. 71/181,950 which was refused by the PTO on September 23, 2008. Affidavit of Scott Daniels, Exhibit 2. Third, WTIC fails to disclose that it applied yet once again for the mark JACOBS on November 6, 2008 in Application Serial No. 77/586,056. Affidavit of Scott Daniels,

Exhibit 4. WTIC's second '056 application for the mark JACOBS was also refused by the PTO on January 15, 2009. Affidavit of Scott Daniels, Exhibit 5.

The PTO suspended final action on WTIC's '056 application on February 2, 2009 pending the disposition of Application Serial No. 76/677,473 filed by Jacobs Wind. Affidavit of Scott Daniels, Exhibit 6. The fact is that there is currently no PTO registered trademark for the mark JACOBS in the area of "wind energy conversion systems", however Jacobs Wind's Application Serial No. 76/677,473 has been allowed by a PTO examiner and will be published for opposition on September 22, 2009.

WTIC's Amended Complaint also fails to include a number of other dispositive exhibits, including the following:

a) Jacobs Wind's May 24, 1985 Professional Services Agreement with EESI granting a license in perpetuity to Jacobs Wind:

"...the paid-up license in perpetuity to continue using the trademarks registered in the U.S. Patent Office under Number 1,069,282 or variations thereof depicting an early 3 KW size Jacobs Wind System with reference to the date 1935 and Number 1,206,629 for the word "Jacobs."

b) The December 16, 1986 Agreement between WTIC and EESI where EESI granted to WTIC a limited license to use certain intellectual property including the '629 JACOBS mark:

"...all subject to pre-existing licenses including licenses to Paul R. Jacobs and to Jacobs Wind Electric Co., Inc., a Florida corporation, to have and to hold the same to the full end of the term or terms of said marks as fully and

completely as the same might have been held by the assignor had this sale and assignment not been made.”

WTIC’s action in bringing this complaint is intended to “end-run” around the USPTO’s refusals of WTIC’s applications for registration of the JACOBS mark and to cancel Jacobs Wind’s incontestable ‘714 registration. Also, WTIC’s Amended Complaint fails to specifically plead the fraud by which Jacobs Wind was to have procured the ‘714 registration. Jacobs Wind now moves for partial summary judgment against WTIC’s Amended Complaint at Claim 2, paragraphs 34-40, based upon lack of statutory authority, laches and the statute of limitations as well as the failure of WTIC to comply with Fed. R. Civ. P. 9 (b).

ARGUMENT

I. Standard for Summary Judgment

Summary judgment is appropriate in the absence of any genuine issue of material fact, and when the moving party can demonstrate that it is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). A fact is material if it might affect the outcome of the suit, and a dispute is genuine if the evidence is such that it could cause a reasonable jury to return a verdict for either party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247 (1986). A court considering a motion for summary judgment must view all of the facts in the light most favorable to the non-moving party and give that party the benefit of all reasonable inferences that can be drawn from the facts. *Matsushita Elec. Indus. Co. v.*

Zenith Radio Corp., 475 U.S. 574, 587 (1986). The nonmoving party may not rest on mere allegations or denials, but must show through the presentation of admissible evidence that specific facts exist creating a genuine issue for trial. See, e.g., *Anderson*, 477 U.S. at 256; *Krenik v. County of Le Sueur*, 47 F.3d 953, 957 (8th Cir.1995); *Ring v. Sears, Roebuck & Co.*, 250 F. Supp.2d 1130, 1138 (D. Minn.2003). Summary judgment is appropriate in trademark and unfair competition cases if the dispute centers on the interpretation of the facts rather than the facts themselves. See *Duluth News-Tribune v. Mesabi Publishing Co.*, 84 F.3d 1093, 1099 (8th Cir.1996) (citing *Woodsmith Publishing Co. v. Meredith Corp.*, 904 F.2d 1244, 1247 (8th Cir.1990)); *Mid-List Press v. Nora*, 275 F.Supp.2d 997, 1001 (D. Minn.2003).

II. The Court Lacks Statutory Authority Over Jacobs Wind's Pending Trademark Application Serial No. 76/677,473

WTIC's Amended Complaint seeks an order refusing registration to Jacobs Wind of the mark JACOBS currently pending before the PTO as Application Serial No. 76/677,473. WTIC's claim is based on Section 37 of the Lanham Act (15 U.S.C. § 1119) which provides, in relevant part:

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.

Thus, by its terms, Section 37 contemplates an action involving only a *registered* trademark. In *GMA Accessories, Inc. v. Idea Nuova, Inc.*, 157 F.Supp.2d 234 (S.D.N.Y.2000), the Court stated:

Idea Nuova cites no authority for the proposition that § 37 permits a district court to cancel a pending trademark application. Accordingly, Idea Nuova's § 37 claim to “cancel” GMA's as yet unregistered trademark, “Room in a Box,” is dismissed.

This Court in *Jeno's Inc. v. Commissioner of Patents and Trademarks of U. S.*, 498 F. Supp. 472, 477 (D. Minn. 1980) held that it could not determine registerability of an unregistered mark. The Court denied a petition for writ of mandamus to the Patent and Trademark Office to compel the registration of a mark, reasoning:

The parties appear to assume that § 1119 permits a court to order registration of a mark only when it otherwise has jurisdiction to adjudicate a claim involving that same mark...[t]he statute permits a court to act in “any action involving a registered mark.” Of course, even under § 1119, a court, exercising jurisdiction over a suit involving a registered mark, would not be expected to entertain unrelated claims for registration of other marks.

Id. at 498 F. Supp. at 477. The Court further held that the “proper course is to appeal the Commissioner's most recent decision to the appropriate administrative appeals board; should plaintiff be dissatisfied with that administrative decision, then it may appeal that decision to the United States Court of Customs and Patent Appeals or to this Court.” *Id.* *citing* 15 U.S.C. § 1071 (1976).

The present case involves a registered mark (“JACOBS WIND ENERGY SYSTEMS”) and a pending mark (“JACOBS”). In a case involving a fact pattern quite

similar to the present facts, concerning a registered mark (“Rams”) and a pending mark (“St. Louis Rams”), the Court declined to determine the registerability of the pending mark:

I have found no case, in this circuit or elsewhere, finding authorization under § 1119 to rule on initial registerability where that determination was so legally and factually disconnected from the accompanying dispute involving the registered mark. Accordingly, I conclude that this court is without statutory authority to determine the ultimate registerability of the parties' "St. Louis Rams" marks or direct the PTO's disposition of the pending trademark applications.

Johnny Blastoff, Inc. v. Los Angeles Rams 48 U.S.P.Q.2d 1385 (1998).

It is clear that the Court does not have statutory authority to direct the PTO to refuse registration of the ‘473 application and that Summary Judgment for lack of subject matter jurisdiction on that claim in favor of Jacobs Wind is appropriate.

III. WTIC’s Claim of Fraud on the PTO Regarding Jacobs Wind’s Trademark Registration No. 1,532,714 Mark is Untimely

A. WTIC’s Claim for Fraud on the PTO by Jacobs Wind in Registering the ‘714 Mark is Barred by the Statute of Limitations Pursuant to Minn. Stat. § 541.05

The Lanham Act sets forth no statute of limitations for infringement litigation over a federally registered mark. The Supreme Court has held, however, that “statutes of limitations for federal causes of action not supplied with their own limitations periods will be borrowed from state law” *Reed v. United Transp. Union*, 488 U.S. 319, 334 (1989). For Lanham Act actions, Minnesota federal courts apply the six-year statute of

limitations from Minnesota Statutes Section 541.05(2). *Axcan Scandipharm Inc. v. Ethex Corp.*, 585 F.Supp.2d 1067, 1077 (D.Minn.2007).

WTIC's claim for "fraud on the PTO" by Jacobs Wind regarding registration of the '714 mark is for an action that occurred in 1988, or 21 years ago. The '714 mark has been registered on the principal register since April 4, 1989. Federal registration of a trademark confers a number of benefits, including providing constructive notice of the registrant's claim of ownership of their trademark. Consequently, WTIC had at least constructive knowledge of the registration of Jacobs Wind's '714 mark since 1989, and was required to bring any action for fraud on the PTO against Jacobs Wind within six years of the date of publication of the '714 trademark registration, i.e., by April 4, 1995. Accordingly, the current action is barred by the statute of limitations.

B. WTIC's Claim for Fraud on the PTO for the '714 Registration is Barred by the Equitable Doctrine of Laches

Laches is an equitable defense to Lanham Act fraud on the PTO claims "when there has been a lack of diligence by the party against whom the defense is asserted and prejudice to the defending party." *Oreck Corp. v. Thomson Consumer Electronics, Inc.*, 796 F. Supp. 1152 at 1161 (S.D.Ind., 1992). Prejudice may be presumed when the delay is unreasonable and inexcusable. *Oreck* at 1161, citing *Baker Manufacturing Co. v. Whitewater Manufacturing Co.*, 430 F.2d 1008, 1009 (7th Cir.1970). The Court in *Oreck* found that the plaintiff "waited ten to thirteen years to file suit; such delay is

unexcusable, as a matter of law” adding that “this Court would still dismiss these claims as being barred by laches in light of Oreck's unexplained and unexcusable six and one-half year delay” *Oreck* at 1162. WTIC’s delay of 20 years, from the registration of the ‘714 mark on the Principal Register in 1989 to the commencement of the present action is thus clearly inexcusable as a matter of law, and the claim should be barred under the doctrine of laches.

IV. WTIC’s Amended Complaint Fails to Allege Fraud on the PTO with Sufficient Particularity with Regard to the ‘714 Registration and the ‘473 Application

A claim of fraudulent procurement has two elements: false, material misrepresentations of fact; and that such statements were knowingly made with the intent to deceive. *3M Co. v. Intertape Polymer Group*, 423 F.Supp. 2d 958, 961 (D. Minn. 2006).

The party seeking cancellation for fraudulent procurement “must prove the alleged fraud by clear and convincing evidence.” ... Further, because the oath required by a trademark applicant is phrased in terms of a subjective belief, it is a defense to a claim of fraudulent procurement that the affiant had an honestly held, good faith belief that the statements in the oath were true A party making a claim of fraud on the PTO is under a “heavy burden.”

3M Co. v. Intertape Polymer Group, 423 F.Supp. 2d at 961-962 (citations omitted); *Bay State Sav. Bank v. Baystate Financial Services*, 484 F. Supp.2d 205, 220 (D. Mass. 2007); *Oreck Corp. v. Thomson Consumer Electronics, Inc.*, 796 F. Supp. 1152, 1159 (S.D. Ind. 1992).

Allegations of trademark fraud or “fraud on the Patent and Trademark Office” are required to be stated with particularity under Fed. R. Civ. P. 9(b); “a general allegation of fraud without accompanying recitation of details is insufficient.” *Oreck Corp. v. Thomson Consumer Electronics, Inc.*, 796 F. Supp. at 1159.

The pleadings must contain an explicit rather than an implied expression of the circumstances constituting fraud.

Id. citing *King Automotive, Inc. v. Speedy Muffler King, Inc.*, 667 F.2d 1008, 1010 (C.C.P.A. 1981).

Rule 9(b) of the Federal Rules of Civil Procedure provides that “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a person's mind may be alleged generally.” The Eighth Circuit has explained:

“Circumstances” include such matters as time, place, and contents of false representations, as well as the identity of the person making the misrepresentation and what was obtained or given up thereby. Because one of the main purposes of the rule is to facilitate a defendant's ability to respond and to prepare a defense to charges of fraud, conclusory allegations that a defendant's conduct was fraudulent and deceptive are not sufficient to satisfy the rule.

Moua v. Jani-King of Minnesota, Inc., 613 F. Supp.2d 1103, 1110 (D. Minn.2009) citing *United States v. St. Luke's Hosp., Inc.*, 441 F.3d 552, 556 (8th Cir.2006) and *Commercial Prop. Invs., Inc. v. Quality Inns Int'l, Inc.*, 61 F.3d 639, 644 (8th Cir.1995).

To establish “fraud on the PTO,” the burden is on WTIC to allege facts to establish:

... that, at the time the declaration was made “no reasonable person could knowingly state” that it had “substantially exclusive” use of the mark.

3M Co. v. Intertape Polymer Group, 423 F. Supp. 2d at 962 *citing* *Marshall Field & Co. v. Mrs. Fields Cookies*, 25 U.S.P.Q.2d 1321, 1328 (Trademark Tr. & App. Bd. 1992). To the contrary, WTIC’s Amended Complaint fails to include any facts or even argument of this nature but makes only naked, conclusory allegations that:

18. Registration No. 1,532,714 was obtained fraudulently because Defendant, having full knowledge that it had no right to use the JACOBS WIND ENERGY SYSTEMS & Design mark in connection with the manufacture or sale of the wind energy equipment, filed a false declaration in support of Registration No. 1,532,714, signed on August 5, 1988 by Paul R. Jacobs, President of Defendant Jacobs Wind Electric Company, Inc., stating that (1) Defendant believed itself to be the exclusive owner of the registered mark, (2) that no one else, to the best of its knowledge and belief, had the right to use the mark in commerce, either in the identical form or in such near resemblance as to be likely, when applied to the goods or services of the other person, to cause confusion or mistake, or to deceive. This false declaration violates 15 U.S.C. § 1051(a)(3)(A) and 37 C.F.R. § 2.33(b)(1).

and

23. Application No. 76/677,473 was fraudulently filed because Defendant, having full knowledge that it had no right to use the mark JACOBS in connection with the manufacture or sale of the wind energy equipment, filed a false declaration, signed on May 16, 2007 by Paul R. Jacobs, President of the Jacobs Wind Electric Co., Inc. stating that (1) Defendant believed itself to be the exclusive owner of the registered mark, (2) that no one else, to the best of its knowledge and belief, had the right to use the mark in commerce, either in the identical form or in such near resemblance as to be likely, when applied to the goods or services of the other person, to cause confusion or mistake, or to deceive. This false declaration violates 15 U.S.C. § 1051(a)(3)(A) and 37 C.F.R. § 2.33(b)(1).

WTIC's Amended Complaint fails to allege with the required particularity that Mr. Jacobs' affidavit was made such that "no reasonable person could knowingly state that it had substantially exclusive use of the mark" particularly since the allegation disregards that the '714 registration is for the distinctive "whale tail" shaped vane, not just the words printed on it. Indeed, WTIC alleges only "upon information and belief" that Jacobs Wind was:

. . . aware of WTIC and/or its JACOBS mark before it sought registration of the JACOBS and JACOBS WIND ENERGY SYSTEMS & Design marks and before it used or sold any goods under the JACOBS or JACOBS WIND ENERGY SYSTEMS & Design marks in the United States. (underlining added).

Allegations "on information and belief" fail to meet Rule 9 (b)'s particularity requirements unless they also allege that "the facts on which the belief is founded":

Allegations pleaded on information and belief usually do not meet Rule 9(b)'s particularity requirement. . . .When the facts constituting the fraud are peculiarly within the opposing party's knowledge, however, such allegations may be pleaded on information and belief. . . .Rule 9(b) is deemed satisfied if the allegations are accompanied by a statement of facts on which the belief is founded. . . . (Rule 9(b) may be satisfied "if the pleader identifies the available information on which the allegation of fraud is founded, as well as the efforts made to obtain additional information.").

Drobnak v. Andersen Corp., 561 F.3d 778, 783-784 (8th Cir. 2009); *Parnes v. Gateway 2000, Inc.*, 122 F.3d 539, 549-550 (8th Cir. 1997) *citing* *Romani v. Shearson Lehman Hutton*, 929 F.2d 875, 878 (1st Cir.1991). WTIC's Amended Complaint fails the requirements of Rule 9 (b) because it does not allege the required facts, information or

even argument upon which its information and belief is founded and the reasons for its belief. The same flaws exist in WTIC's allegations in ¶¶ 19-20 that:

19. Registration No. 1,532,714 was also obtained fraudulently because, upon information and belief, the specimen of use filed by Defendant in support of its application to register Registration No. 1,532,714 was a photograph of a generator fin not first sold by Defendant.
20. Registration No. 1,532,714 was also obtained fraudulently because, upon information and belief, the specimen of use filed by Defendant in support of its renewal of Registration No. 1,532,714 was a photograph cropped by Defendant to misrepresent the fact that the product being installed was primarily not made by Defendant. (underlining added).

WTIC fails to state the facts which form the basis of its information and the reasons for its belief. As Judge Rich noted in *American Sec. Bank v. American Sec. & Trust Co.*, 571 F.2d 564, 197 U.S.P.Q. 65 (C.C.P.A. 1978), the statute and implementing oath "require the statement of beliefs about exclusive rights, not their actual possession. Appellant has produced no evidence impugning appellee's beliefs."

Because the oath required by a trademark applicant is phrased in terms of a subjective belief, it is a defense to a claim of fraudulent procurement that the affiant had an honestly held, good faith belief that the statements in the oath were true.

3M Co. v. Intertape Polymer Group, 423 F. Supp. 2d at 962 citing *Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 420 (4th Cir.1998) (citing 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 31:76, p. 31-116 to 117 (4th ed.1998)). Given the fact that the '629 registration for the mark JACOBS was cancelled in 2003 and that it has alleged no interest in the 1988 '714 registration for the

distinctive “whale-tail” shaped vane, WTIC’s failure to allege specific facts to support its allegations “upon information and belief” must be deemed a failure to state any claim for “fraud on the PTO” against Jacobs Wind.

V. Conclusion

For the foregoing reasons, Jacobs Wind respectfully requests the Court to grant its Motion for partial summary judgment for Claim 2, paragraphs 34-40 of WTIC’s Amended Complaint.

Dated this 2nd day of September, 2009.

Respectfully submitted,

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