

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS**

GULLIVER’S TAVERN, INC.,

Plaintiff,

v.

FRANK’S OF BROCKTON, INC.

Defendant.

Civil Action No. 1:22-cv-10653-IT

**FRANK’S OF BROCKTON, INC.’S OPPOSITION TO GULLIVER’S TAVERN, INC.’S
MOTION TO DISMISS COUNTERCLAIM**

Defendant and Counterclaim Plaintiff Frank’s of Brockton, Inc. (“Frank’s”) hereby opposes Plaintiff and Counterclaim Defendant Gulliver’s Tavern, Inc. (“Gulliver’s”)’s Motion to Dismiss Counterclaim (dkt. 21).

Gulliver’s runs an adult entertainment establishment in Providence, Rhode Island under the name “Foxy Lady.” Gulliver’s claims to have trademark rights in the name, but Gulliver’s has been remarkably cavalier in ensuring that the mark acts as a designator of source for consumers, a requirement for trademark protection. Gulliver’s entered into an agreement with Frank’s in 1999 (the “1999 Oral Agreement”) by which Frank’s would open up an adult entertainment club under the “Foxy Lady” name. According to the facts as alleged in the Answer and Counterclaims (dkt. 15), the 1999 Oral Agreement, which the parties agree was never put into writing, did not provide Gulliver’s with any means to ensure that Frank’s operated under the name at any particular level of quality, as trademark law requires. Gulliver’s further has allowed clubs all over the country to operate under the name without taking any steps to ensure that the “Foxy Lady” mark retains its source-designating status. Finally, when Gulliver’s actually sought to obtain and then maintain its federal trademark registration on the mark, Gulliver’s improperly submitted usage by Frank’s instead of usage by Gulliver’s to the PTO and

did nothing to ensure that the PTO understood that the specimens were not those of Gulliver's. These factual allegations support all of Frank's Counterclaims, and Gulliver's Motion should be denied.

I. Legal Standards for a Rule 12(b)(6) Motion

Counterclaims, like complaints, are to be construed liberally in the complainant's favor so as to do justice. *See Erickson v. Pardus*, 551 U.S. 89, 94 (2007). Rule 8(a)(2) of the Federal Rules of Civil Procedure "generally requires only a plausible 'short and plain' statement of the plaintiff's claim," showing that the plaintiff is entitled to relief. *Skinner v. Switzer*, 131 S. Ct. 1289, 1296 (2011). Detailed factual allegations are not necessary to survive a motion to dismiss. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 559, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007); *Hayes v. Mirick*, 378 F. Supp. 3d 109, 113–14 (D. Mass. 2019). To survive a motion to dismiss, a counterclaim need only plead "enough factual matter" that "state[s] a claim to relief that is plausible on its face." *Twombly*, 550 U.S. at 556, 570. This plausibility standard is met when "the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). This is so "even if it strikes a savvy judge that actual proof of those facts is improbable." *Twombly*, 550 U.S. at 556; *Hayes*, 378 F. Supp. 3d at 113–14. In making this determination, "the Court must assume [all allegations of the counterclaim] to be true." *R.E. Monks Const. Co. v. Telluride Reg'l Airport Auth.*, No. 11-cv-01658, 2012 WL 1537924, at *2 (D. Colo. May 2, 2012).

In determining a motion under Rule 12(b)(6), a court may consider "the facts alleged in the complaint, documents incorporated by reference therein and facts susceptible to judicial notice." *Holloman v. Clarke*, 236 F. Supp. 3d 493, 496–97 (D. Mass. 2017) (quoting *Haley v. City of Boston*, 657 F.3d 39, 46 (1st Cir. 2011)).

II. The Answer and Counterclaims Plead a Case for Abandonment of the Trademark by Naked Licensing

Gulliver's states that Frank's "admits that it operates the club and that it paid \$3,000 per week for more than twenty years, but denies the terms of the [1999 Oral Agreement] as alleged by Plaintiff." Memorandum at 1 n. 2 (citing to ¶¶ 10-12 of Frank's Answer and Counterclaims). Yet a reading of the Complaint reveals that Gulliver's *did not allege any other terms* to the 1999 Oral Agreement. See Complaint at ¶¶ 11 and 23 (alleging an agreement for use of the "Foxy Lady" name and the weekly licensing fee, but not alleging any other terms). The absence of any quality control terms or assignment of any goodwill makes this a license in gross, otherwise known as a 'naked license,' and therefore invalid on the ground that Gulliver's abandoned the mark by failing to police it.

a. Naked Licensing is Grounds for Cancellation of a Trademark

15 U.S.C. § 1127 provides that marks can be abandoned by mark holders, and thus cease to be a mark for purposes of the Lanham Act, if any course of conduct of the owner, including acts of omission as well as commission, causes the mark to lose its significance as a mark. "Uncontrolled or 'naked' licensing may result in the trademark ceasing to function as a symbol of quality and controlled source." *Barcamerica Intern. USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589 596 (9th Cir. 2002) (citing *McCarthy on Trademarks and Unfair Competition* § 18:48, at 18-79 (4th ed. 2001)). Consequently, "where the licensor fails to exercise adequate quality control over the licensee, a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark." *Id.* (citing *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir.1992); see also, e.g., *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509, 516 (9th Cir., 2010) (holding that "naked licensing is *inherently deceptive* and constitutes abandonment of any rights to the

trademark by the licensor”) (citation and quotation marks omitted); *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 366 (2nd Cir. 1959) (there is “an affirmative duty upon a licensor of a registered trademark to take reasonable measures to detect and prevent misleading uses of his mark by his licensees or suffer cancellation of his federal registration”); *Poole v. Kit Mfg. Co.*, No. CIV.A. CA-3-6230-E, 1974 WL 20231, at *2 (N.D. Tex. Sept. 9, 1974) (“the granting by Ventoura Corporation of an unrestricted right in Pontiac to employ the name VENTURA on goods of the same class sold to the same class of purchasers through the same channels of trade and without any provisions for quality control vitiated the proprietorship of Ventoura Corporation in the trademark VENTOURA and rendered any trademark rights void and unenforceable.”); *Midwest Fur Producers Ass’n. v. Mutation Mink Breeders Association*, 127 F. Supp. 217 (W.D. Wisc. 1955) (the granting of a naked license of a trademark “is an unlawful and improper use of the trademark and amounts to an abandonment of any trade-mark rights that might otherwise exist in any names so used, and creates an estoppel against the assertion of trade-mark rights.”).

Such abandonment “is purely an ‘involuntary’ forfeiture of trademark rights,” for it need not be shown that the trademark owner had any subjective intent to abandon the mark. *Id.* (quoting *McCarthy* § 18:48, at 18–79); *Ritchie v. Williams*, 395 F.3d 283, 73 U.S.P.Q.2d 1430 (6th Cir. 2005) (lack of control is a naked license that results in abandonment of the mark); *AmCan Enterprises, Inc. v. Renzi*, 32 F.3d 233, 31 U.S.P.Q.2d 1793 (7th Cir. 1994) (“If the licensor does not maintain adequate quality control, the mark may be deemed abandoned, or, equivalently, the licensor may be estopped to complain about infringement.”); *Eva’s Bridal Ltd. v. Halanick Enterprises, Inc.*, 639 F.3d 788, 98 U.S.P.Q.2d 1662 (7th Cir. 2011) (affirming finding of abandonment because of naked licensing of mark of bridal retail shop: trademark

owner made no attempt to control quality); *Halo Management, LLC v. Interland, Inc.*, 76 U.S.P.Q.2d 1199, 64 Fed. R. Evid. Serv. 1077 (N.D. Cal. 2004) (mark held abandoned by naked licensing through license with vague quality standards, no right to inspect and no right to terminate where the parties had an “acrimonious” relationship); *Boathouse Grp., Inc. v. TigerLogic Corp.*, 777 F. Supp. 2d 243, 250 (D. Mass. 2011) (finding that, even where there is a written agreement purporting to provide for appropriate control over the licensee’s quality, the licensor must “exercise actual, rather than hypothetical, control over the licensee” to avoid abandonment of the mark due to naked licensing). *See also, e.g., Rey v. Lafferty*, 990 F.2d 1379, 1393 n. 10 (1st Cir.1993) (noting trademark protection may be lost if licensor fails to control quality of the goods); *see also* 3 McCarthy, *Trademarks and Unfair Competition* §§ 18:42, 18:58 (4th ed.) (listing cases).

b. The Counterclaims Plead All of the Factual Elements of a Naked License

The Answer and Counterclaims makes factual allegations that are more than sufficient to support cancellation of Gulliver’s federal trademark registration due to the naked license.

Frank’s pleading asserts that:

- Mr. Tsoumas and Mr. Caswell made an oral agreement in 1999 by which Mr. Caswell would name his club “Foxy Lady” and would pay a weekly fee of \$3000 for so long as the club operated under that name. Answer and Counterclaims at ¶ 8.
- No other terms were discussed or agreed upon. *Id.*
- There was no discussion of any trademarks or trademark rights when the 1999 Oral Agreement was made. *Id.* The 1999 Oral Agreement had no terms giving Gulliver’s any rights to monitor Frank’s use of the mark, to establish and police any quality control measures with respect to Frank’s club, or to otherwise affect the way that Frank’s operated the club under the mark. *Id.* at ¶ 9.
- The 1999 Oral Agreement did not provide that any goodwill generated by Frank’s use of the name would inure to the benefit of Gulliver’s. *Id.* at 10.
- The 1999 Oral Agreement was not reduced to a writing. *Id.* at ¶ 8.

- Gulliver's had not as of that time filed any applications for a federal trademark registration. *Id.* at ¶ 12; *see also* Complaint at ¶ 7 (noting that Gulliver's applied for the federal trademark registration in August 2002).
- Gulliver's in fact never exercised any control over the way that Franks operated the club under the name or over its use of the name. Answer and Counterclaims at ¶ 15.

This pleading therefore *does* state a claim on which relief can be granted.

c. Gulliver's Dispute of the Facts as Pled are Not Sufficient to Justify Dismissal under Rule 12(b)(6)

Gulliver's motion does not set forth the standard for pleading abandonment by way of naked licensing, and does not demonstrate that the counterclaims fail to factually allege any particular element of the claim. Instead, Gulliver's *disputes* the facts pled by Frank's. *See, e.g.*, Memorandum at 4 (“[e]vidence outside the four corners of the counterclaim would show the Court that Gulliver's exercised control over the use of the mark during the first twenty years;” “Gulliver's made efforts to solidify the terms of the license, in a writing (the 2019 Proposal), that included control over quality and use of the mark”);¹ Memorandum at 2 n. 5 (suggesting (without actually committing to a position) that Gulliver's factually disputes the allegation that Frank's rejected the 2019 Proposal).

A motion to dismiss cannot, however, be granted based on assertions that the factual allegations of the pleading are not correct. As the Supreme Court stated:

When a federal court reviews the sufficiency of a complaint, before the reception of any evidence either by affidavit or admissions, its task is necessarily a limited one. The issue is not whether a plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims. Indeed it may appear on the face of the pleadings that a recovery is very remote and unlikely but that is not the test.

¹ Gulliver's provides no hint of what such outside evidence might be in either the Complaint or in its Memorandum. Gulliver's also clearly mischaracterizes the 2019 Proposal, which it neglected to reference in its Complaint, as simply reducing the 1999 Oral Agreement in a writing rather than the entirely new proposal that it actually was – the parties agree that the fee under the 1999 Oral Agreement was \$3,000 per week, *see* Complaint at ¶ 11 and Answer and Counterclaims at ¶ 11, yet the 2019 Proposal sets forth payments of \$5,000 per week, *see* Exhibit 1 to the Answer and Counterclaims (dkt. 15-1) at ¶ 2.1.

Scheuer v. Rhodes, 416 U.S. 232, 236, 94 S. Ct. 1683, 1686, 40 L. Ed. 2d 90 (1974); *see also*, *e.g.*, *Twombly*, 550 U.S. at 555 (a motion to dismiss is analyzed on “the assumption that all the allegations in the complaint are true (even if doubtful in fact).”); *Nami v. Fauver*, 82 F.3d 63, 65 (3d Cir. 1996) (“In considering a Rule 12(b)(6) motion, we do not inquire whether the plaintiffs will ultimately prevail, only whether they are entitled to offer evidence to support their claims.”); *Thibault v. Delaware Tech. & Cmty. Coll.*, No. CA 11-1080-MPT, 2012 WL 2073847, at *1 (D. Del. June 8, 2012) (“The purpose of a Rule 12(b)(6) motion to dismiss is to test the sufficiency of a complaint, not to resolve disputed facts or decide the merits of the case.”); *Ruiz v. Bally Total Fitness Holding Corp.*, 496 F.3d 1, 5 (1st Cir. 2007) (citing *Rogan v. Menino*, 175 F.3d 75, 77 (1st Cir. 1999)) (On a motion to dismiss, the court “must assume the truth of all well-plead[ed] facts and give ... plaintiff the benefit of all reasonable inferences therefrom.”).

d. Gulliver’s Presents No Grounds to Dismiss the Naked License Claim

Gulliver’s cited cases are directed to wholly different factual scenarios and are thus in apposite. The *Exxon Corp.* case merely found that phase-out agreements of limited duration (most less than one year), resulting from settlement of litigation to *protect* Exxon’s trademark rights, did not result in abandonment. *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1078–83 (5th Cir. 1997). The *Jaycees* and *Bennigan’s* Franchising cases dealt with express abandonment rather than naked licensing. *U.S. Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 140 (3d Cir. 1981); *Bennigan’s Franchising Co., L.P. v. Sweet Onion*, Civil Action No. 08-cv-2132-F, 2009 U.S. Dist. LEXIS 147783, at *6 (N.D. Tex. April 1, 2009).

Finally, Gulliver’s argument that the agreement should somehow be construed against Frank’s because Frank’s was the “drafter” of the agreement is simply unavailing. Frank’s has made no admission that it “drafted” the agreement – it simply stated that it had made an

agreement with Gulliver’s, not that it had actually unilaterally created the terms thereof, and indeed the counterclaim pleads that Frank’s was approached by Gulliver’s with the proposal, not the opposite. *See* Counterclaim at ¶ 7. Further, regardless of who actually suggested the (very limited) terms of the 1999 Oral Agreement, Gulliver’s, as the purported owner of trademark rights in the “Foxy Lady” name, had an *affirmative duty* to protect the public from deception by policing the use of the mark by purported licensees such as Frank’s. *See, e.g., Doeblers’ Pennsylvania Hybrids, Inc. v. Doebler*, 442 F.3d 812, 823 (3rd Cir. 2006) (quoting *Dawn Donut*, 267 F.2d at 367 (“T]he only effective way to protect the public where a trademark is used by licensees is to place on the licensor the affirmative duty of policing in a reasonable manner the activities of his licensees.”); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 387 (5th Cir.1977) (“Courts have long imposed upon trademark licensors a duty to oversee the quality of licensees’ products.”). Gulliver’s cannot evade the consequences of its failure to obtain the necessary rights on Frank’s, which had no such obligation.²

III. The Answer and Counterclaims Plead a Case for Abandonment of the Trademark by Failure to Police

The Lanham Act provides that a mark is deemed abandoned when its use has been discontinued with intent not to resume use or, "when any course of conduct of the registrant, *including acts of omission* as well as commission, causes the mark to lose its significance as an indication of origin." 15 U.S.C. § 1127(b) (emphasis added).

A “trademark owner has an affirmative duty to police his trademark.” *Wisconsin Cheese Group, Inc. v. V & V Supremo Foods, Inc.*, 537 F. Supp. 2d 994, 1001 (W.D. Wis. 2008). If a

² The *Blackstone* case, cited by Gulliver’s, was directed to whether a trademark license agreement could be rejected in bankruptcy, and included findings that the licensee had forced the license on the trademark holder at a time the trademark holder was unrepresented, in severe financial distress, and was experiencing a “severe alcohol abuse problem,” and “not an agreement entered into between parties with equal bargaining power.” *In re Blackstone Potato Chip Co., Inc.*, 109 B.R. 557, 558 (Bankr. D.R.I. 1990). No such coercion is suggested here.

trademark owner allows an infringing mark to continue in commerce for too long, the owner may lose any rights to prevent the continued infringement in the future. *Id.* “[L]ack of actual knowledge of infringement does not automatically excuse a trademark owner from unreasonable delay. Because a trademark owner has an affirmative duty to police his trademark, he is charged with “such knowledge as he may have obtained upon inquiry, provided the facts already known to him were such as to put upon a man of ordinary intelligence the duty of inquiry.” *Id.*; *see also*, *e.g.*, *Chattanooga Mfg., Inc. v. Nike, Inc.*, 301 F.3d 789, 793 (7th Cir. 2002) (“a trademark owner is chargeable with information it might have received had due inquiry been made.”); *Anheuser-Busch, Inc. v. Du Bois Brewing Co.*, 175 F.2d 370, 374 (3rd Cir. 1949) (“If the owner of a tradename acquiesces so long in the use of that name or in a name strikingly similar thereto that the public has in general become aware of the other's appropriation of that name and is therefore not deceived, such owner may in a proper case be treated as having abandoned his one-time property right in that name.”), *cert. denied*, 339 U.S. 934 [85 USPQ 526] (1950); 1 J. McCarthy, *Trademarks and Unfair Competition*, § 17:5, at 596-97 (1973) (footnotes omitted) (“A trademark owner's failure to enforce his rights against infringers may amount to abandonment, since when many make use of a similar mark, its function as a symbol of origin in one person is lost. Failure to take reasonable steps to prevent use of the mark by others will gradually dilute the distinctiveness of the mark such that it no longer signifies only one source or one level of quality.”).

The counterclaims allege that “a number of adult establishments throughout the country presently utilize or have in the past utilized the term ‘FOXY LADY’ as part or all of their names, including establishments in West Virginia, Columbus and Atlanta Georgia, Kentucky, Louisiana, Oklahoma, Florida, Arkansas and Baltimore Maryland,” and that none of these establishments

are or were licensed by Gulliver’s. Counterclaim at ¶ 30-31.³ In investigating this matter in preparation for filing the Answer and Counterclaims, Frank’s identified the following specifics as to these clubs:

- A website for the “Foxy Lady Cabaret,” a strip club located at 1792 NW 79 St., Miami FL 33147;⁴
- Websites that referred to the “Foxy Lady Gentlemen’s Club” located at 10491 Winchester Ave, Bunker Hill, West Virginia, with the club appearing on Google Maps Street View with view indicating that the image was captured in June 2021;⁵
- A page from “Night Clubs Guide” that identifies a night club named “Foxy Lady” located at 3023 Victory Drive, Columbus Georgia, with reviews indicating it was open at least in the 2014-2016 time period. This club appears on Google Maps Street View, with the view indicating that the image was captured in April 2022;⁶
- A Yelp page of the “Foxy Lady Lounge, : an adult entertainment club in 1635 Moreland Ave, Atlanta GA;⁷
- A Yelp page of the “Foxy Lady Club” in Lake Village, Arkansas;⁸
- An October 11, 2007 article in the Baltimore Sun detailing citations against the “Foxy Lady,” a club on “The Block’ in Baltimore;⁹
- A Yelp page about the “Foxy Lady Gentlemen’s Club” at 1715 Berry Blvd., Louisville Kentucky, which appears on Google Maps Street View with a 2022 date;¹⁰

³ Gulliver’s objects to this allegation being made in the “information and belief” format. Memorandum at 3 and 6. But “[t]he *Twombly* plausibility standard ... does not prevent a plaintiff from pleading facts alleged ‘upon information and belief’ (1) where the facts are peculiarly within the possession and control of the defendant, or (2) where the belief is based on factual information that makes the inference of culpability plausible.” *Lexington Ins. Co. v. Johnson Controls Fire Prot. Ltd. P’ship*, 347 F. Supp. 3d 61, 64 (D. Mass. 2018) (quoting *Arista Records, LLC v. Doe 3*, 604 F.3d 110, 120 (2d Cir. 2010); see also, e.g., *Counter v. Healy*, No. CIV.A. 09-12144-RGS, 2010 WL 2802179, at *6 (D. Mass. June 28, 2010), *report and recommendation adopted as modified*, No. CIV.A. 09-12144-RGS, 2010 WL 2802174 (D. Mass. July 13, 2010) (“The federal rules, however, permit pleading on [an information and belief] basis.”); Fed.R.Civ.P. 11(b) (“By presenting to the court a pleading ... an attorney or unrepresented party certifies that to the best of the person’s knowledge, information, and belief, formed after an inquiry reasonable under the circumstances ... (3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery”). In situations where much of the information pled with “information and belief” is within Defendant’s possession and control and “modest discovery may provide the missing link... “the district court has discretion to allow limited discovery and, if justified, a final amendment of the complaint.” *Aspen Tech., Inc. v. Walter*, No. CV 19-11292-GAO, 2019 WL 4795551, at *4–5 (D. Mass. Sept. 12, 2019) (citing *Lexington Ins. Co.*, 347 F. Supp.3d at 64).

⁴ <https://foxyladycabaret.com/>.

⁵ <https://restaurantguru.com/Foxy-Lady-Gentlemens-Club-Bunker-Hill>, <https://untappd.com/v/foxy-lady-gentlemens-club/1687923/photos>.

⁶ https://night-clubs-guide.com/06580896/Foxy_Lady.

⁷ <https://www.yelp.com/biz/foxy-lady-lounge-atlanta>.

⁸ <https://www.yelp.com/biz/foxy-lady-club-lake-village>.

⁹ <https://www.baltimoresun.com/news/bs-xpm-2007-10-11-0710110152-story.html>.

¹⁰ <https://www.yelp.com/biz/foxy-lady-gentlemens-club-louisville>.

- A page from the Oklahoma Secretary of State identifying a “Foxy Lady Club, Inc. registered to do business in Oklahoma in 1980;¹¹
- A corporation registered as "FOXY LADY CLUB, INC.: in 1986 and dissolved in 1997, having an address at 2524 Greenbriar Rd., Lake Charles, LA 70605. This club is also identified on “Strip Club Reviews,” which places its address as 5122 Hwy 90 E., Lake Charles, Louisiana.¹²

Since the filing of the Answer and Counterclaims, Frank’s has discovered yet another club bearing the name “Foxy Lady” - a website, “Strange Carolinas,” showing the signage for a gentlemen’s club called “Foxy Lady of Salisbury, Inc.” and identifying the address as 4939 South Main Street, Salisbury, North Carolina as well as a Yelp page about the same and having a review from 2014. This club appears on Google Maps Street View, with the view indicating that the image was captured in July 2021. A search of Business Registrations on the North Carolina Secretary of State website indicates that this business was incorporated in 1985.¹³

The existence of so many establishments bearing the “Foxy Lady” mark with no action taken by Gulliver’s to stop this usage serves as an omission that causes the mark to lose its significance as an indicator of origin. 15 U.S.C. § 1127(b). Gulliver’s either knew of these establishments and took no steps to cease their usage of the mark,¹⁴ or Gulliver’s failed to take the rudimentary steps to affirmatively police the mark, which omission caused the mark to lose its significance as a source indicator. In either event, a finding of abandonment is warranted.

¹¹ <https://www.sos.ok.gov/corp/corpInformation.aspx?id=1900350200>.

¹² https://opencorporates.com/companies/us_la/34222785D; <http://www.stripclubreviews.com/louisiana-lake-charles/the-foxy-lady-lounge>.

¹³ <https://www.strangecarolinas.com/2020/08/foxy-lady-sign-salisbury-nc.html>; <https://www.yelp.com/biz/foxy-lady-salisbury>.

¹⁴ Notably, Gulliver’s does not deny knowing about any of these establishments, and does not assert that it licensed or took any other action with regard to these establishments (and, of course, if Gulliver’s simply licensed the mark *in gross* – nakedly – to these establishments, as it did to Frank’s, the existence of even more naked licenses would be further acts of Gulliver’s that cause the mark to lose its significance as an indicator of origin).

IV. The Answer and Counterclaims Plead a Case for Cancellation of the Trademark Due to Fraud on the PTO

Gulliver's is correct in saying that a trademark owner can utilize the specimens of use of a "related company" or a "controlled licensee" rather than use of the trademark owner itself. TMPE 1201.03(e); *Pneutek, Inc. v. Scherr*, 211 USPQ 824, 833 (TTAB 1981). What Gulliver's omits from its discussion, however, is that the term "related company" is defined in a way that excludes Frank's, meaning that Gulliver's use of specimens showing Frank's usage was improper. Claims of ownership of a mark based on use by other than the trademark holder are limited to use by "a related company *whose use inures to the [trademark] applicant's benefit.*" TMEP 1201.01 (emphasis added).

Section 5 of the Trademark Act states "[w]here a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public." 15 U.S.C. §1055. Section 45 of the Act defines "related company" as "any person whose use of a mark is *controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.*" 15 U.S.C. §1127 (emphasis added). "The essence of related-company use is the control exercised over the nature and quality of the goods or services on or in connection with which the mark is used." *Noble House Home Furnishings, LLC v. Floorco Enters., LLC*, 118 USPQ2d 1413, 1421 (TTAB 2016); *see also* TMEP 1201.03. Thus, it is only when a mark is used by a third-party company that the trademark owner exercises control over the quality of the goods and services on which the mark is used that it is acceptable for the trademark owner to rely on the third-party use to obtain or maintain the registration. *See, e.g., Hurricane Fence Co. v. A-1 Hurricane Fence Co.*, 468 F.

Supp. 975, 986; 208 USPQ 314, 325 (S.D. Ala. 1979) (In all franchise and license situations, the key to ownership is the nature and extent of the control by the applicant over the goods or services to which the mark is applied. A trademark owner who fails to exercise sufficient control over licensees or franchisees may be found to have abandoned its rights in the mark.); *Doebblers' Pennsylvania Hybrids*, 442 F.3d at 823 (claims of use of a mark by a licensee is “permissible so long as the license agreement provides for adequate control by the licensor of the nature and quality of the goods or services.”).

Indeed, Gulliver’s own cited caselaw makes this distinction. *See Edge Games, Inc. v. Elec. Arts, Inc.*, 745 F. Supp. 2d 1101, 1110 (N.D. Cal. 2010) (noting the impropriety of Edge Games submitting specimens of use of a licensee because “[c]ritically, neither of these licensing agreements granted plaintiff the right to exercise quality control over the use of the ‘EDGE’ marks. They were ‘naked’ licenses.”).

A third party may petition to cancel a registered trademark on the ground that the “registration was obtained fraudulently.” 15 U.S.C. § 1064(3). “Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application.” *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009). “In order to establish a claim of fraud in the procurement of a federal registration, plaintiff must prove the following by clear and convincing evidence: (1) that defendant made a false representation to the PTO regarding a material fact; (2) that defendant knew that the representation was false; (3) that defendant intended to induce the PTO to act in reliance on the misrepresentation; and (4) the PTO was thereby deceived into registering the mark.” *Bay State Sav. Bank v. Baystate Fin. Servs., LLC*, 484 F. Supp. 2d 205, 220 (D. Mass. 2007); *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 554 F. Supp. 3d 284, 295 (D. Mass. 2021). The “knowledge”

element is satisfied where the applicant made material statements it knew or should have known were false. *Bay State Sav. Bank*, 484 F. Supp. 2d at 220.

Here, as described above, Frank's had been using the "Foxy Lady" mark for more than three years before Gulliver's filed its application for a federal trademark. Frank's use of the mark arose through a naked license that was insufficient to allow Gulliver's to assert that Frank's usage inured to Gulliver's benefit. Yet, as alleged in the counterclaim, Gulliver's (a) asserted under oath that "to the best of [Gulliver's owner Thomas Tsoumas]'s knowledge and belief, no other person, firm, corporation, or association has the right to use the mark in commerce...;" and (b) not once but *twice* filed Declarations of Use that included specimens showing Frank's, and not Gulliver's, use of the mark. Counterclaims at ¶¶ 35-45. In each instance, Gulliver's was represented by counsel, and knew or should have known the falsity of the information being provided to the PTO. *Id.* The assertions of the affirmative submissions of false information is sufficient to allow an inference of an intent to deceive the PTO. *See, e.g., Paragon Podiatry Lab'y, Inc. v. KLM Lab'ys, Inc.*, 984 F.2d 1182, 1191 (Fed. Cir. 1993) (an inference of an intent to deceive can be shown by the affirmative act of submitting false affidavits that the examiner is unable to investigate); *Angel Flight of Georgia, Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1210-1211 (11th Cir. 2008) (affirming cancellation of trademark registration where applicant was aware that others were using the mark at the time the registration was filed but did not disclose that to the PTO and holding that the court was reasonable in inferring that the information was withheld for the purpose of deceiving the PTO); *Unisource Discovery, Inc. v. Unisource Discovery, LLC*, No. 20-23276-CIV, 2022 WL 773280, at *4 (S.D. Fla. Jan. 13, 2022), *report and recommendation adopted*, No. 1:20-CV-23276, 2022 WL 767265 (S.D. Fla. Mar. 14, 2022) ("intent may be inferred from indirect, circumstantial evidence"); *L.D. Kichler*

Co. v. Davoil, Inc., 192 F.3d 1349, 1352 (Fed. Cir. 1999) (proof of noninfringing, consequential use by others may invalidate applicant's claim when combined with proof of intent to deceive); *Tuccillo v. Geisha NYC, LLC*, 635 F. Supp. 2d 227, 242 (E.D.N.Y. 2009) (“It is plain that the existence of another authorized user with the identical mark is material to the USPTO in determining whether to grant the application.”).

Further, the submission of *Frank’s* usage of the mark to the PTO, holding it out as Gulliver’s use, constitutes fraud on the PTO that justifies cancellation of the registration. *See, e.g., Select Exp. Corp. v. Richeson*, No. 10-80526-CIV, 2011 WL 13135114, at *7-9 (S.D. Fla. May 5, 2011) (ordering cancellation of trademark registration where the trademark owner had submitted specimens that purported to show its usage of the mark, but was actually usage of the mark be a different company, finding intent shown by the failure to identify the actual user of the mark in the specimens that were filed with the PTO); *Shenzhen Kinwong Elec. Co. v. Kukreja*, No. 18-61550-CIV, 2021 WL 5834244, at *37 (S.D. Fla. Dec. 9, 2021) (“The deliberate omission in a trademark application of information regarding another's right to use the mark applied for is a material omission justifying cancellation of that mark.”); *City of New York v. Tavern on the Green, L.P.*, 427 B.R. 233, 242 (S.D.N.Y. 2010) (same).

V. The Answer and Counterclaims Plead a Claim that the 1999 Oral Agreement should be Voided and Invalidated

“A finding of uncontrolled licensing may result in several possible effects: abandonment of rights in the mark... a finding that the license is void, or that the licensor is estopped from challenging the licensee's uncontrolled use.” 3 McCarthy on Trademarks and Unfair Competition § 18:48 (5th ed.). Here, Gulliver’s admits that the sole agreed-upon terms of the 1999 Oral Agreement were that Frank’s would pay Gulliver’s \$3,000 per week for the duration of the Agreement. *See* Memorandum at 10; Complaint at ¶¶ 11 and 23 (alleging an agreement

for use of the “Foxy Lady” name and the weekly licensing fee, but not alleging any other terms). The 1999 Agreement therefore lacked many necessary components to qualify as anything other than a naked license, as described above, including provisions granting Gulliver’s the right to monitor the use of the mark, the quality of the goods and services Frank’s was providing under the mark, and the assignment to Gulliver’s of any goodwill resulting from Frank’s use of the mark.

A naked trademark license such as the one at issue here is invalid. *See, e.g., Boathouse*, 777 F. Supp. 2d at 250 (quoting *Visa, U.S.A., Inc. v. Birmingham Trust Nat'l Bank*, 696 F.2d 1371, 1375, 1377 (Fed. Cir. 1982) (“To be valid, an assignment of a trademark must include an assignment of the goodwill associated with the mark and an assignment in gross is invalid... To be a valid license, the licensor must adequately control the quality of the goods and services provided by the licensee under the mark.”); *Arthur Murray, Inc. v. Horst*, 110 F. Supp. 678, 679 (D. Mass. 1953) (“There is no dispute that a naked license without either transfer of good-will, the communication of a trade secret, or provisions for supervisory control of the product or services is invalid because of the public deception likely to follow.”); *c.f. Susser v. Carvel Corp.*, 206 F. Supp. 636, 645 (S.D.N.Y. 1962), *aff’d*, 332 F.2d 505 (2d Cir. 1964) (“It is well settled that the licensor of a trademark not only is justified in imposing restrictions on his licensee but, indeed, is obligated to do so in order to make the license a valid one.”); *Acme Valve & Fittings Co. v. Wayne*, 386 F. Supp. 1162, 1166, 183 U.S.P.Q. 629 (S.D. Tex. 1974) (“since there is no provision for quality control with respect to the manufacture of valves pursuant to the license by the OIC Corporation or its successor the purported license was void”); *Cartier, Inc. v. Three Sheaves Co., Inc.*, 465 F. Supp. 123, 129, 204 U.S.P.Q. 377 (S.D. N.Y. 1979) (A license was “defective in that it contains no provision for quality control by the licensor. Under such

circumstances, the license has been held to be void as against public policy.”); *Yamamoto & Co. (America), Inc. v. Victor United, Inc.*, 219 U.S.P.Q. 968, 1982 WL 52121, *17 (C.D. Cal. 1982) (Alleged quality control efforts found “infrequent, irregular, superficial and uninformed,” resulting in a naked license, which is void).

In the alternative, Gulliver’s should be estopped from asserting trademark infringement due to its failure to control the use of the mark for such a long period of time. *See, e.g., Sheila’s Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 124, 179 U.S.P.Q. 577, 17 Fed. R. Serv. 2d 1435 (5th Cir. 1973) (“Failure to exercise such control and supervision for a significant period of time may estop the trademark owner from challenging the use of the mark and business which the licensee has developed during the period of such unsupervised use.” The failure of the trademark owner for 11 years to have any communication at all with the licensee resulted in the mark owner being estopped from challenging the licensee's use of the mark.); *Miller v. Glenn Miller Productions*, 318 F. Supp. 2d 923, 945–946 (C.D. Cal. 2004), *aff’d on other grounds*, 454 F.3d 975, 79 U.S.P.Q.2d 1545 (9th Cir. 2006) (Because plaintiffs failed to supervise or control defendant's use of the mark, plaintiffs “are estopped from enforcing the terms of any trademark license” that was given to defendants).

Gulliver’s asserts that Frank’s must show that the 1999 Oral Agreement is void due to a “common reason” such as violation of public policy. But naked trademark licenses are void specifically because they violate the public policies set forth in the Lanham Act and allow for the public to be deceived. *See, e.g., Arthur Murray*, 110 F. Supp. at 679 (“There is no dispute that a naked license without either transfer of good-will, the communication of a trade secret, or provisions for supervisory control of the product or services is invalid ***because of the public deception likely to follow.***”) (emphasis added); *Doebler’s Pennsylvania Hybrids*, 442 F.3d at 823

(naked licensing “rais[es] a *grave danger that the public will be deceived* by such a usage.”) (emphasis added); *Dawn Donut*, 267 F.2d at 367 (“[T]he only effective way to *protect the public* where a trademark is used by licensees is to place on the licensor the affirmative duty of policing in a reasonable manner the activities of his licensees”) (emphasis added).

As the Counterclaims set forth sufficient factual allegations of naked licensing, and as naked licensing is legally-sufficient grounds to void the agreement, the Counterclaims do state a claim for voidance of the 1999 Oral Agreement.

CONCLUSION

For the reasons stated herein, Defendant and Counterclaim Plaintiff Frank’s of Brockton, Inc. respectfully requests that Plaintiff and Counterclaim Defendant Gulliver’s Tavern, Inc.’s Motion to Dismiss Counterclaims be **DENIED**.

August 3, 2022

Respectfully submitted,

By: /s/ Thomas P. McNulty

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CERTIFICATE OF SERVICE

I certify that on August 3, 2022, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which automatically sends email notification of such filing to registered participants.

/s/ Thomas P. McNulty

Thomas P. McNulty