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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

NEW CARVER CORP.,

Plaintiff,

v.

PHX AP ACQUISITION, LLC &
FORTUNE GLOW DEVELOPMENT
LTD.,

Defendant.

CASE NO. C10-493 RSM

ORDER GRANTING DEFENDANT
PHX'S SECOND MOTION TO
DISMISS AND DEFENDANT
FORTUNE GLOW'S MOTION TO
VACATE DEFAULT AND QUASH
SERVICE

I. INTRODUCTION

This matter comes before the Court on Defendant PHX's Second Motion to Dismiss (Dkt. # 43) and Defendant Fortune Glow's Motion to Vacate Default and Quash Service (Dkt. # 36). The Court heard oral argument on October 6, 2010. For the reasons set forth below, the Court GRANTS Defendant PHX's motion to dismiss and GRANTS Defendant Fortune Glow's motion to vacate default and quash service.

II. DISCUSSION

A. Background

Plaintiff New Carver Corp. (“New Carver”), a corporation organized under the laws of Washington, originally brought this trademark cancellation action against PHX AP Acquisition, LLC (“PHX”), a Portland, Oregon company. Dkt. # 1. On October 23, 2009, New Carver filed a United States Patent and Trademark Office (“USPTO”) intent-to-use application for use of the CARVER trademark with consumer electronic products. Dkt. # 13, ¶ 12. The USPTO denied that application due to active U.S. trademark registrations for CARVER: numbers 1,360,305 (‘305) and 3,738,223 (‘223). *Id.* at ¶ 28.

The CARVER marks originated with the Carver Corporation, a manufacturer of high-end audio products. In 1999, after many years in business, the Lynnwood, Washington-based company filed for Chapter 11 bankruptcy and substantially ceased operations. On January 12, 2004, the Trustee for the Carver Corporation’s estate sold Carver Corporation’s trademarks and remaining inventory to Phoenix Gold International, Inc. (“Phoenix Gold”) of Portland, Oregon. *Id.* at ¶ 10. Phoenix Gold subsequently assigned the marks to PHX just prior to dissolution in 2006. *Id.* at ¶ 15. Then, facing dissolution, PHX assigned the marks to Fortune Glow Development Ltd. (“Fortune Glow”), a private limited company formed under the laws of the Hong Kong Special Administrative Region, on November 20, 2009. *Id.* at ¶ 19. On April 8, 2010, Fortune Glow recorded the ‘305 registration assignment with the USPTO. *Id.* The ‘223 registration, however, continues to list PHX as the registration holder. *Id.* at ¶ 20.

New Carver discovered the PHX-Fortune Glow transaction after it filed its first Complaint on March 23, 2010. Apprised of Fortune Glow’s assignment documentation for the ‘305 registration, New Carver filed an Amended Complaint naming Fortune Glow as an

1 additional defendant. Dkt. # 13. In light of the Amended Complaint, the Court struck PHX's
2 original motion to dismiss as moot. Dkt. # 42. In response, PHX filed a second motion to
3 dismiss, maintaining that it holds no rights to the trademarks at issue. Dkt. # 43.

4 With respect to the '305 registration, New Carver served a copy of the Amended
5 Complaint on Mr. King, the president of WPAT, PC Intellectual Property Attorneys in Irvine,
6 California, the firm listed as Fortune Glow's domestic representative on the trademark
7 assignment filed with the USPTO. Dkt. # 40, p. 6. Fortune Glow failed to timely answer and the
8 clerk entered a Default against Fortune Glow on June 23, 2010. Dkt. ## 25, 27. Prior to an entry
9 of default judgment, Fortune Glow filed this motion to quash service and vacate default,
10 claiming improper service of process. Dkt. ## 28, 36. New Carver conceded that default should
11 be vacated but maintains that Fortune Glow was properly served. Dkt. # 40, p. 5.

12 **B. Motion to Dismiss**

13 A Rule 12(b)(6) motion to dismiss requires courts to determine whether a plaintiff has
14 established sufficient facts to support a claim for relief. *Broam v. Bogan*, 320 F.3d 1023, 1033
15 (9th Cir. 2003). Although construed in the light most favorable to the plaintiff, a complaint
16 must have "more than labels and conclusions," and "a formulaic recitation of the elements of a
17 cause of action will not do." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007).

18 Here, PHX alleges it is not a proper party because it holds no rights or interest in the
19 CARVER marks. As such, it can offer New Carver no relief. Dkt. # 45, p. 4. New Carver does
20 not dispute PHX's disclaimed interest. Rather, New Carver distinguishes the trademark owner
21 from the trademark registration holder. As PHX remains the listed trademark registrant
22 according to the USPTO, it is the only party able to defend the '223 registration. Dkt. # 44, p. 6.

1 Under Lanham Act section 37, 15 U.S.C. § 1119, federal district courts retain concurrent
2 authority with the Trademark Trial and Appeal Board (“TTAB”) to order trademark registration
3 cancellations, or to “otherwise rectify the register with respect to any party to the action.” 15
4 U.S.C. § 1119 (2006); *see also Informix Software, Inc. v. Oracle Corp.*, 927 F. Supp. 1283, 1285
5 (N.D. Cal. 1996) (“15 U.S.C. § 1119 provides for concurrent jurisdiction in this Court and the
6 Trademark Trial and Appeal Board over the cancellation of trademarks.”). During oral
7 argument, both PHX and Fortune Glow stipulated that, as between them, all rights and interest in
8 both the ‘223 and ‘305 registrations were validly assigned to Fortune Glow. New Carver
9 established sufficient facts to support its original claims against PHX. But, under Lanham Act
10 section 37, the Court has authority to resolve the proper party dispute. Therefore, the Court
11 orders a correction to the trademark register naming Fortune Glow as the assignee of registration
12 number ‘223.¹ Because this correction allows New Carver to obtain all relief from Fortune
13 Glow, the Court grants PHX’s motion to dismiss without prejudice.

14 **C. Motion to Vacate Default and Quash Service**

15 Both 37 C.F.R. § 3.61 (2010) and 15 U.S.C. § 1060(b) (2006) permit a foreign assignee
16 of a U.S. trademark registration to appoint a domestic representative upon whom service of
17 process may be made for proceedings affecting the trademark. No court has interpreted either
18 the regulation or the statute concerning the scope of agency for a domestic representative to
19 receive service of process in civil trademark proceedings. However, the Federal District Court
20 for the Eastern District of California analyzed the text of 15 U.S.C § 1051(e) (2006) in *E. & J.*
21 *Gallo v. Cantine Rallo, S.P.A.*, 430 F. Supp. 2d 1064 (E.D. Cal. 2005). Although § 1051(e)
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23 ¹ The Court notes that this was the procedure followed in *Third Education Group, Inc., v.*
24 *Phelps*, 2009 WL 5216988 *3 (E.D. Wis.).

1 affects the registration holder and not the registration's assignee, the relevant language of §
2 1051(e) is identical to § 1060(b).² The *Gallo* court determined that § 1051(e) does not authorize
3 service of process on domestic representatives for civil trademark proceedings. *E. & J. Gallo*,
4 430 F. Supp. 2d at 1083 ("Congress knows how to provide for service of process in cases before
5 the federal courts when it so intends. It has not done so here."). New Carver argues that this case
6 concerns a type of trademark proceeding not contemplated by *Gallo*. It suggests that because the
7 instant action is a trademark registration cancellation wherein both the Court and the TTAB
8 maintain concurrent jurisdiction, service on the domestic representative should be proper. *See*
9 Dkt. # 40, p. 7. However, New Carver cites no legal authority to support this argument. Given
10 both the dearth of legal authority and the observation that proper service may be made on the
11 Director of the USPTO,³ the Court finds, consistent with *Gallo*, that service of process on
12 Fortune Glow's listed domestic representative was improper. Thus, the Court grants Fortune
13 Glow's motion to quash service. Furthermore, because neither party disputes the motion to
14 vacate default, the Court grants the motion.

17 ² The pertinent text of both § 1051(e) and § 1060(b) states "[An assignee or applicant] not
18 domiciled in the United States may designate by a document filed in the United States Patent and
19 Trademark Office the name and address of a person resident in the United States on whom may
be served notices or process in proceedings affecting the mark.

³ 15 U.S.C. § 1060(b) states in relevant part:

21 If the person so designated cannot be found at the address
22 given in the last designation, or if the assignee does not
23 designate by a document filed in the United States Patent
24 and Trademark Office the name and address of a person
resident in the United States on whom may be served
notices or process in proceedings affecting the mark, such
notices or process may be served upon the Director.

III. CONCLUSION

Having reviewed the relevant pleadings and the remainder of the record, the Court hereby finds and ORDERS:

- (1) In accordance with 15 U.S.C. § 1119, the Director of the Patent and Trademark Office shall rectify the register so as to identify Fortune Glow Ltd. as the Owner / Assignee of Trademark Registration Number 3,738,223.
- (2) Defendant PHX’s Second Motion to Dismiss is GRANTED without prejudice.
- (3) Defendant Fortune Glow’s Motion to Vacate Default and Quash Service is GRANTED.
- (4) The Clerk is directed to forward a copy of this Order to all counsel of record.

Dated October 14, 2010.



RICARDO S. MARTINEZ
UNITED STATES DISTRICT JUDGE