

COPY

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2006-1534

IN RE LEO STOLLER

Appeal from United States Patent and Trademark Office,
Trademark Trial and Appeal Board

**DIRECTOR OF THE UNITED STATES PATENT
AND TRADEMARK OFFICE'S
(I) RESPONSE TO THIS COURT'S JULY 26, 2006 ORDER
CONCERNING JURISDICTION AND
(II) MOTION TO DISMISS FOR LACK OF JURISDICTION**

INTRODUCTION

On July 26, 2006, this Court issued an order concerning whether it has jurisdiction to hear pro se appellant Leo Stoller's ("Stoller") notice of appeal filed on July 21, 2006. In short, this Court does not have jurisdiction and Stoller cites no basis for jurisdiction. The Director's decision that Stoller has improperly appealed is an order "sanctioning" Stoller for his abusive conduct before the USPTO. Since it is not a TTAB decision reaching the merits, nor is it a Director's decision related to 15 U.S.C. §§ 1058 or 1059, this Court does not have jurisdiction. If anywhere, jurisdiction lies in the district court under the

Administrative Procedure Act (“APA”). See 5 U.S.C. §§ 701 et seq. Therefore, this Court should dismiss Stoller’s appeal with prejudice.

BACKGROUND

To give this Court a better understanding of Stoller and his conduct that lead to the current Sanction Decision (A1-15), the Director provides the following brief background for the Court’s convenience.

A. Stoller’s History of Sanctions by The TTAB and District Courts

Stoller operates various wholly-owned corporate entities, including, inter alia, S Industries, Inc., Central Manufacturing Co., Central Manufacturing, Inc., Sentra Industries, Inc., Stealth Industries, Inc., Stealth Brand Products, Sentra Sporting Goods, USA Sports Co., and Rentamark,¹ which as admitted, he uses as vehicles to engage “in a tremendous amount of litigation.” Ecolab Inc., 1999 WL 162785, at *6 (A154). Throughout the years, Stoller, who is not an attorney and typically acts pro se, has established a pattern of bringing “oppressive” actions, which are clearly “designed to extract settlement.” See, e.g., Central Mfg. Co. v.

¹ See S Indus., Inc. v. GMI Holdings, Inc., No. 96-C2232, 1998 WL 67627, at *1 (N.D. Ill. Jan. 30, 1998) (A138); S Indus., Inc. v. Centra 2000, Inc., No. 96-C3524, 1998 WL 157067, at *1 (N.D. Ill. March 31, 1998) (A145); S Indus., Inc. v. Ecolab Inc., No. 96-C4140, 1999 WL 162785, at *1 (N.D. Ill. March 16, 1999) (A150); Central Mfg. Co. v. Pure Fishing, Inc., No. 05-C725, 2005 WL 3090988, at *1 (N.D. Ill. Nov. 16, 2005) (A157-58).

Brett, 78 USPQ2d 1662, 1675 (N.D. Ill. 2005); S Indus., Inc. v. Stone Age Equip. Inc., 12 F.Supp.2d 796, 798-99 (N.D. Ill.1998) (noting Stoller's "continuing pattern of bad faith litigation"); Central Mfg., Inc. v. Third Millennium Tech., Inc., 61 USPQ2d 1210, 1214-15 (TTAB 2001) ("we note that this Board has previously sanctioned [Stoller] for precisely this type of conduct, i.e., for making misrepresentations regarding the existence of settlement negotiations The Board cannot ignore its past experience with Leo Stoller and considers the bad-faith actions taken in this case against that backdrop.")

Over the years, the TTAB has attempted to curb Stoller's misconduct and harassment of third-parties by issuing narrowly-tailored sanctions. See, e.g., S Indus., Inc. v. Lamb-Weston, Inc., 45 USPQ2d 1293, 1295 (TTAB 1997); Third Millennium, 61 USPQ2d at 1215.² In fact, this Court recently affirmed the TTAB's decision to vacate an opposition proceeding where the TTAB found that Stoller's contention that he had timely filed an extension of time to oppose was untrue. See Stoller v. Northern Telepresence Corp., No. 05-1320, 2005 WL 2813750, at *3 (Fed. Cir. Oct. 28, 2005) (unpublished) (A165-66).

Similarly, district court judges have expressed serious doubts about the merits of Stoller's lawsuits because he "appears to have entered into a new

² A more expansive list of sanctions imposed by the TTAB over the years is found at footnote 2 of the Sanction Decision. A2.

industry – that of instituting federal litigation” in which his complaints reflect “the same disturbing deficiency (and indeed what appear to be some misleading allegations []).” S Indus., Inc. v. Hobbico, Inc., 940 F.Supp. 210, 211 (N.D. Ill. 1996); see also S Indus., Inc. v. Kimberly-Clark Corp., No. 96-C3916, 1996 WL 388427, at **1-2 (N.D. Ill. July 9, 1996) (noting this case “appears to be nothing short of frivolous” and “[a]t least at the threshold, this action looks to have the hallmark of a lawyer-inspired lawsuit of dubious merit”) (A167-68). As such, over the years, district courts have tried to curb what judges have termed as a “vexatious litigation trek” by, for example, awarding attorneys’ fees or dismissing the case with prejudice. Representative cases include, for example,

- Stone Age Equip., 12 F.Supp.2d at 798-99, 820 (observing “a continuing pattern of bad faith litigation” involving cases “lacking in merit and approaching harassment” and awarding attorneys’ fees);

- Ecolab, 1999 WL 162785, at **7-8 (noting that Stoller’s claims were “fanciful” and “frivolous,” and “requiring the [defendant] to spend time and money defending itself against such baseless claims was ‘oppressive.’”) (A154-56);

- S Indus., Inc. v. Diamond Multimedia Systems, Inc., 17 F.Supp.2d 775, 777-80 (N.D. Ill. 1998) (awarding attorneys’ fees noting that Stoller’s claims were

“oppressive,” as well as “inappropriate, frivolous, and, sanctionable.”);

- S Indus., Inc. v. Centra 2000, Inc., No. 96-C3524, 1998 WL 395161, at **2-3 (N.D. Ill. July 9, 1998) (awarding attorneys’ fees noting that Stoller “should have known [that his claim] utterly lacked merit” and “[s]uch a lack of cooperation by plaintiff . . . needlessly increased the cost and burdensome nature of a suit.”) (A169-70), aff’d 249 F.3d 625, 629 (7th Cir. 2001) (noting Stoller’s “pattern of abusive and improper litigation . . . [which] burdened the courts of this circuit” and ordering Stoller “to show cause why sanctions for filing a frivolous appeal should not be imposed.”);

- Brett, 78 USPQ2d at 1675-76 (observing that Stoller’s “conduct clearly rises to the level of ‘oppressive.’ [Stoller] offered irrelevant, questionable, and seemingly fantastical documents; inconsistent, uncorroborated, or arguably false testimony from Leo Stoller . . . strongly suggests what several courts in this district have suspected: that [Stoller] engages in a pattern and practice of harassing legitimate actors for the purpose of extracting a settlement amount. The judicial system is not to be used as an aid in such deliberate, malicious, and fraudulent conduct Leo Stoller and his companies present paradigmatic examples of litigants in the business of bringing oppressive litigation designed to extract settlement.”); and

- Pure Fishing, 2005 WL 3090988, at **4-6 (awarding attorneys' fees and dismissing Stoller's case with prejudice in view of his "egregious conduct and flagrant contempt of court" by his "appalling lack of regard" and "lack of respect for the judicial process.") (A160-61).

B. Stoller's Misconduct That Led to The Current Sanction Decision

Between November 2005 and March 2006, Stoller's actions took an unprecedented turn when during this period he himself filed over 1,000 requests for an extension of time to commence an opposition proceeding before the TTAB. A23-93. As background, an opposition proceeding allows any party who believes it would be damaged by the registration of a trademark to file an opposition to the registration. See 15 U.S.C. § 1063; 37 CFR § 2.101; TMEP § 1503.01. As such, by filing an opposition – or even an extension of time for opposition – the opposer delays the registration of the mark during the course of the proceedings. If the opposer prevails, the mark is not registered. If no opposition is filed, the mark is registered once the period for filing an opposition has passed. See 37 CFR §§ 2.81; 2.151.

An opposition must be filed within thirty days after the publication of the mark. See 15 U.S.C. § 1063; 37 CFR §2.101(c); TMEP §1503.03. However, prior to the expiration of the thirty-day period, the opposer may seek an extension of

time to file an opposition. See 15 U.S.C. § 1063; 37 CFR §2.102; TMEP §1503.04. When a potential opposer files a request for an extension of time, that person must have a bona fide belief that “he, she or it would be damaged by the registration of a mark.” 37 CFR § 2.102(a). No fee is required to request an extension of time.

The maximum period for an extension of time to oppose is 150 days from the end of the thirty-day period for publication, which may be sought in increments of thirty, sixty, or ninety days. See 37 CFR § 2.102(c). A request for an extension of time is granted ex parte, typically with a minimum showing of good cause because it is understood that members of the trademark bar who request extensions of time to file oppositions do so in good faith to conduct a bona fide investigation to determine whether to ultimately file an opposition. See 37 CFR § 2.102. Extensions are not filed indiscriminately or en masse. And most members of the trademark bar who file an opposition do so based on ownership of a federally registered mark, which they believe will be damaged if the applicant’s mark is registered.

In stark contrast and in an unparalleled fashion, in less than six months, Stoller filed not one, not ten, not 100, but over 1,000 extensions to oppose a

variety of different marks. A23-93. Just a few examples of the 1,000 plus marks

Stoller filed an extension of time to oppose include:

- Tiger Woods
- Donald Trump
- Dave Chappelle
- Hulk Hogan
- ESPN
- Golf
- Marine Biology
- Acupuncture

and stylized forms of the letters B, D, P, Q, T, and V. A23-93. For these examples (and all but a few marks), Stoller had no federally registered trademark. Instead, Stoller relied on alleged common law rights. Thus, Stoller essentially filed extensions to oppose in a “shotgun” approach for an unheard of range of marks, including the signature of Tiger Woods, ESPN, Donald Trump, and stylized letters.

In doing so, Stoller delayed the registration of 1,000 plus marks at no financial cost to himself. Based on such unprecedented conduct, Stoller’s past sanctionable behavior, and the injury caused to the 1,000 plus trademark applicants, the Director issued an order to show cause to inquire into Stoller’s current conduct.

C. The Director's Decision Sanctioning Stoller's Inappropriate Conduct

Under 35 U.S.C. § 2(b)(2), the USPTO has the authority to establish regulations to govern the conduct of the proceedings in the Office. See Lacavera v. Dudas, 441 F.3d 1380, 1383 (Fed. Cir. 2006). Accordingly, the USPTO has promulgated rules that require practitioners and individuals, such as Stoller, to certify that:

The presentation to the Office (whether by signing, filing, submitting, or later advocating) of any document by a party, whether a practitioner or non-practitioner, constitutes a certification under §10.18(b) of this chapter. Violations of §10.18(b)(2) of this chapter by a party, whether a practitioner or non-practitioner, may result in the imposition of sanctions under §10.18(c) of this chapter. 37 CFR § 2.193(c)(2) (emphasis added).

Accordingly, when an individual files a paper, they are certifying that: (i) such a paper is not being filed for improper purposes, such as to harass or to cause unnecessary delay or needless increase to another party; (ii) the claims and other legal contentions are warranted by existing law; and (iii) the allegations and other factual contentions have evidentiary support. See 37 CFR §§ 10.18(b)(2)(i), (ii), and (iii). Sanctions may include returning papers, precluding a party from filing a paper or presenting or contesting an issue, and terminating a proceeding before the Office. See 37 CFR § 10.18(c)(2), (c)(3), and (c)(6). The Director determines the

appropriate sanctions, see 37 CFR § 10.18(c), but may delegate this duty, see 37 CFR § 10.18(c) and 35 U.S.C. § 3. Here, the Director delegated the duty to the General Counsel of the USPTO, who then delegated this duty to the Chief Administrative Trademark Judge (“Chief Judge”). A1, n.1. Thus, although the Sanction Decision is signed by the Chief Judge of the TTAB, it is a Director’s decision.

Under 37 CFR § 10.18(b)(2), in view of the sheer volume of extensions of time filed in less than six months by one person and potential harm to a large number of trademark applicants, in March 2006, the Director issued a show cause order to assure that each request was bona fide. A16-17. Stoller was specifically asked to provide evidence showing how he might be damaged by each of the registrations for which he filed an extension of time to oppose. Id. The Director also warned that based on his response, sanctions under 37 CFR §10.18(c) were being contemplated, including: (i) terminating or vacating any extension of time to oppose filed in violation of the applicable rules; (ii) prospectively restricting the right to request extensions of time to oppose; and (iii) prospectively restricting his right to appear before the USPTO. Id.

In a brief four-page response with a large number of attachments (which due to the size have not been included in the attached appendix), Stoller simply recited

a few cases where tribunals had declined to impose sanctions and made conclusory statements that he had met the standard for filing an extension of time to oppose. A18-22. Stoller provided no evidence to show how he might be damaged if any one, let alone all, of the 1,000 plus marks issued. Id.

In addition, from March to July 2006, Stoller filed an additional 400 requests for an extension of time to oppose, bringing the total to 1,400 plus extensions in less than nine months. A5-6. Thus, Stoller's conduct was continuing! On July 14, 2006, the Director issued a Sanction Decision pursuant to 37 CFR §§ 10.18(b)(2) and (c). A1-15. The Director determined that Stoller did not have a proper purpose for filing the 1,400 plus extensions of time to oppose given his, inter alia, (i) failure to show, as required by the statute, that he would be damaged by the registration of any of the marks (A8-9); (ii) failure to provide any information regarding the specific steps taken to investigate a claim of damage during the extension period for any of the marks (A5); (iii) failure to provide copies of any of the alleged registered marks he claimed to own along with an identification of the goods and services associated with these marks (A9); and (iv) failure to provide, as to the alleged common law trademarks, evidence of any products or services bearing these common law marks, evidence that he had sold any products or services under these marks, or evidence of advertising of products

or services with these marks (A9).

The sanctions were narrowly-tailored to address the improperly filed requests for an extension of time and included: (i) vacating any extensions of time to oppose filed since November 2005; (ii) prohibiting Stoller from filing any request for an extension of time to oppose for two-years; and (iii) requiring that any request for an extension of time filed after the two-year period be filed by an attorney. A13-14. And, as a result of vacating the extensions of time under (i), the oppositions filed based on those extensions were also vacated as untimely. A13, n.12. However, the Sanction Decision did not at this time prohibit Stoller from prospectively filing oppositions or petitions to cancel before the TTAB, but were rather directed solely to his ability to file extensions of time to oppose. A1-15. We note that a fee is required to file either a petition to cancel or oppose a mark. See 37 CFR §§ 2.101(a) and 2.111(a).

Stoller now improperly appeals the Director's Sanction Decision directly to this Court, instead of the district court under the APA.

ARGUMENT

Respectfully, this Court lacks jurisdiction to review the Sanction Decision and, therefore, should dismiss the appeal with prejudice. Because "[f]ederal courts are courts of limited jurisdiction . . . and possess only that power authorized by

Constitution and statute,” Kokkonen v. Guardian Life Insurance, 511 U.S. 375, 377 (1994), the appellant “bears the burden of establishing” the jurisdictional basis, Lujan v. Defenders of Wildlife, 504 U.S. 555, 561 (1992). See also KVOS, Inc. v. Assoc. Press, 299 U.S. 269, 278 (1936); Reynolds v. Army & Air Force Exch. Serv., 846 F.2d 746, 748 (Fed. Cir. 1988); Fed. R. App. P. 28(a)(4)(B).

Stoller cannot meet this burden, nor has he even attempted to do so.

A. There Is No Statutory Basis For This Court to Review The Sanction Decision

The statutory provisions in 28 U.S.C. § 1295(a)(4)(B) and 15 U.S.C. § 1071(a) set forth this Court’s jurisdiction to review trademark-related decisions by the USPTO. Under § 1071(a)(1):

An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 8 [§1058] of this Act, or an applicant for renewal, who is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit

Accordingly, as this Court has already explained to Stoller, it is well-settled law that § 1071(a) provides the Court jurisdiction over two categories of trademark-related decisions. The first category is decisions by the TTAB, such as those on ex parte applications for registration and inter partes proceedings such as

oppositions, cancellations or interferences. See In re Stoller, No. MISC 601, 1999 WL 1289088, at *1 (Fed. Cir. Dec. 21, 1999) (unpublished) (A172-73); In re Marriott-Hot Shoppes, Inc., 411 F.2d 1025, 1028 (CCPA 1969). The second category is limited to two types of trademark-related decisions made by the Director. See Stoller, 1999 WL 1289088, at *1 (A172-73). Specifically, the Court may review a Director's decision refusing to accept a registrant's affidavit under 15 U.S.C. § 1058 or a Director's decision refusing to accept a registrant's application to renew a registration under 15 U.S.C. § 1059. See In re Bose Corp., 772 F.2d 866, 869 (Fed. Cir. 1985); Marriott-Hot Shoppes, 411 F.2d at 1028; see also In re Makari, 708 F.2d 709, 711 (Fed. Cir. 1983). All other petition decisions by the Director are subject to review by district courts under the APA. See 5 U.S.C. §§ 701 et seq.

Here, the Sanction Decision is not a TTAB decision reaching the merits of a trademark proceeding or a Director's decision related to a § 1058 affidavit or § 1059 renewal application. Rather, this is a Director's decision sanctioning Stoller pursuant to 37 CFR § 10.18(c). Thus, Stoller's appeal does not fall within any of the jurisdictional categories provided in § 1071(a). Accordingly, under this Court's precedent, Stoller's appeal should be dismissed with prejudice.

Similar to this situation, the USPTO also has the power to regulate the conduct of practitioners who practice before the Office. See Lacavera, 441 F.3d at 1381. The Director's decision in these cases are first appealed to a district court under the APA. Id. at 1382. Likewise, here, jurisdiction over an appeal of the Director's Sanction Decision, lies, if anywhere, in a district court under the APA.

Finally, Stoller also seeks a stay of the sanctions imposed by the Director pending appeal (Pacer Docket Entry #3). However, because this Court lacks jurisdiction to hear this appeal, it also lacks jurisdiction to decide whether to stay the sanctions imposed.

B. Subsequent Papers Filed by Stoller Do Not Alter the Fact That This Court Lacks Jurisdiction

Stoller has filed a number of subsequent papers in an attempt to consolidate this appeal with appeals of the orders vacating the oppositions and extensions of time as a result of the Sanction Decision. However, the decision to terminate any existing oppositions and extensions of time was simply part of the sanctions imposed. Once the Director reviewed Stoller's inappropriate conduct, he sanctioned Stoller for all such inappropriate filings – past, present and future. As such, if Stoller disagrees with the scope of the sanction, jurisdiction lies, if

anywhere, in the district court under the APA as part of his challenge to the Sanction Decision in general.

CONCLUSION

Because this Court lacks jurisdiction over Stoller's appeal, it should dismiss with prejudice.

Respectfully submitted,


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CERTIFICATE OF SERVICE

I hereby certify that on August 23, 2006, I caused two copies of the foregoing DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE'S (I) RESPONSE TO THIS COURT'S JULY 26, 2006 ORDER CONCERNING JURISDICTION AND (II) MOTION TO DISMISS FOR LACK OF JURISDICTION to be transmitted via FEDERAL EXPRESS addressed as follows:

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