

UNITED STATES DEPARTMENT OF COMMERCE  
Patent and Trademark Office  
Trademark Trial and Appeal Board  
2900 Crystal Drive  
Arlington, Virginia 22202-3513

Butler

**Mail date: April 12, 2004**

**Opposition No. 91122524**

**X/Open Company Limited**

**v.**

**Wayne R. Gray**

**Before Simms, Walters and Bucher, Administrative Trademark Judges.**

**By the Board:**

This proceeding commenced with the filing of the Notice of Opposition on April 11, 2001.

Applicant seeks to register the mark INUX for "computer operating system software for use in consumer hardware systems."<sup>1</sup> As grounds for the opposition, opposer alleges that applicant's mark so resembles opposer's previously used and registered marks UNIX for "computers"<sup>2</sup> and UNIX for "computer programs"<sup>3</sup> as to be likely to cause confusion, mistake or to deceive; and that applicant's mark will cause dilution of the distinctive quality of opposer's marks, which became well known and famous before the filing date of applicant's application.

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<sup>1</sup> Application Serial No. 75680034, filed on April 29, 1999, claiming a bona fide intent to use the mark in commerce.

<sup>2</sup> Registration No. 1390593, issued on April 22, 1986, claiming use and use in commerce since December 14, 1984. Section 8 affidavit accepted.

<sup>3</sup> Registration No. 1392203, issued May 6, 1986, claiming use and use in commerce since December 14, 1972. Section 8 affidavit accepted; Section 15 affidavit acknowledged.

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On August 15, 2002, after several periods of suspension to accommodate settlement discussions and a change of attorney, applicant filed his answer denying the salient allegations of the complaint. Applicant further brought a counterclaim to cancel opposer's pleaded registrations on the grounds of abandonment of the marks. More specifically, applicant alleges that opposer no longer uses the mark UNIX on computers or computer programs, and has no intention of resuming such use. Applicant also alleges in his counterclaim that opposer's marks are now generic. Opposer has denied the salient allegations of the counterclaim.

After several more periods of extension, discovery closed on August 7, 2003. In an order dated October 24, 2003, the Board denied applicant's motion to extend discovery (filed via certificate of mailing dated August 7, 2003); determined that applicant's discovery requests, served after August 7, 2003, were untimely, and informed opposer that no responses were due; and reset trial dates only, with first testimony to close on January 30, 2004.

This case now comes up on applicant's fully briefed motion, filed December 22, 2003, to amend his answer, affirmative defenses, and counterclaim; applicant's fully briefed motion, filed January 28, 2004, to accept applicant's late service of his responses to opposer's discovery requests; and applicant's fully briefed amended motion, filed January 22, 2004, to amend his answer, affirmative defenses, and counterclaim.

**Applicant's motions to amend his answer and counterclaim**

In support of his motions, applicant argues that he has recently uncovered evidence that opposer has no standing in this matter because the pleaded marks were assigned to a third party by Novell, Inc. prior to being assigned to opposer by Novell.<sup>4</sup>

Applicant seeks to amend his affirmative defenses, presently entitled as follows: Abandonment; Segmentation of Market Results in No Confusion; Prior Dilution of Mark; and Abandonment by Generic Use. Applicant's proposed affirmative defenses, as set out in his second amended notice of opposition, are entitled: Abandonment; Segmentation of Market; Prior Dilution of the Mark; Abandonment by Generic Use; Lack of Standing Due to Prior Transfer; Lack of Standing Due to Assignment in Gross; Fraudulent Deed of Assignment of the "Unix" Marks to Opposer; and Abandonment Due to Naked Licensing. Applicant's proposed amendment to his counterclaim seeks cancellation of opposer's pleaded registrations on the issues raised by the affirmative defenses, as well as on the issues raised in his original counterclaim. More specifically, and in abbreviated form, with respect to the newly proposed claims to his second amended counterclaim, applicant alleges that opposer has abandoned use of the UNIX marks on the registered goods, with no intent of resuming such use; that UNIX is generic for a "multi-user, multi-tasking computer operating system which runs on a wide variety of

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<sup>4</sup> Discussion of the relationship between Novell, Inc., opposer, and the third party follows later in this decision.

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computer systems"; that The SCO Group and/or its predecessor in interest, Santa Cruz Operation, Inc. (hereinafter SCO) is the owner of the registrations claimed by opposer; that SCO purchased from Novell, Inc. the Unix business assets, goodwill and marks in 1995; that the assignment from Novell to opposer, made in 1999, is an assignment in gross, without the accompanying goodwill, amounting to trafficking in a name; that the recordation with the USPTO of an assignment from Novell to opposer amounts to a fraudulent representation because opposer and Novell knew or should have known about the 1995 transfer to SCO; and that there exists an "as-yet undisclosed re-licensing agreement dated May 10, 1994 from Novell to opposer" of the marks which transferred Novell's interest to SCO in 1995, amounting to a naked transfer of rights, resulting in abandonment of the marks in question.

As background, applicant argues that Registration Nos. 1390593 and 1392203 issued to American Telephone and Telegraph Company; that a transfer was made to Unix System Laboratories, Inc. and recorded with the Office; and that Unix System Laboratories, Inc. merged with Novell, Inc., and said merger was recorded with the Office. According to applicant, on September 19, 1995, Novell transferred essentially all of its Unix business to SCO, and a disclosure was filed with the SEC (Securities and Exchange Commission). Applicant argues that, by virtue of the transfer of the business and of the language of Schedule 1.1(b) of the Asset Purchase Agreement, the UNIX trademarks were transferred to SCO at that time.

In particular, applicant argues that the first amendment of Schedule 1.1(b) of the Asset Purchase Agreement demonstrates that the marks were transferred from Novell to SCO. Said section, according to applicant, describes **excluded** assets as "All copyrights and trademarks, **except** for the trademarks UNIX and UNIXWARE." (Emphasis added.) See Exhibit 7 to applicant's motion. Applicant provides a copy of the second amendment to Schedule 1.1(b), dated October 16, 1996, which appears to modify the agreement slightly, but not change the substance of the agreement. The information provided by applicant indicates that Amendment 2 to the Asset Purchase Agreement states: ...Schedule 1.1(b) of the Agreement, titled "Excluded Assets," Section V, Subsection A shall be revised to read:

All copyrights and trademarks, **except** for the copyrights and trademarks owned by Novell as of the date of the Agreement required for SCO to exercise it [sic] rights with respect to the acquisition of UNIX and UNIXWARE technologies.  
(Emphasis added.)

In addition, applicant argues that the 1995 agreement between Novell and SCO provided that Novell agreed not to compete with SCO with respect to the UNIX business.

Applicant's motion to amend his answer, affirmative defenses and counterclaims is accompanied by the following documents:<sup>5</sup>

- 1) A February 1, 1985 software licensing agreement between AT&T Technologies, Inc. and International Business Machines Corporation for UNIX Systems V, identifying UNIX as a trademark of AT&T Bell Laboratories;
- 2) Copies of the recordal information, including reel and frame numbers, of the assignments from American

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<sup>5</sup> The numbers listing the documents coincide with the exhibit numbers to applicant's motions to amend his answer, affirmative defenses, and counterclaim.

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Telephone & Telegraph Company to Unix System Laboratories, Inc. to Novell, Inc. to X/Open Company Limited;

- 3) A copy of the amended complaint in *The SCO Group, Inc. v. International Business Machines Corporation*, Case No. 03-CV-0294 in the United States District Court for the District of Utah. Plaintiff set forth the causes of action as software agreement breaches, sublicensing agreement breaches, unfair competition, interference with contract, and misappropriation of trade secrets under Utah law, all involving the UNIX computer operating system program and related software. Plaintiff alleges ownership of all right, title and interest in and to UNIX and UNIXWARE operating system source code, software, sublicensing agreements, copyrights, and additional licensing rights in and to UNIX and UNIXWARE.
- 4) An Internet printout from ComputerWeekly.com, dated 11/19/2003, concerning Novell's potential violation of the "non-compete clause" in its 1995 agreement with SCO;
- 5) Santa Cruz's SEC filing for fiscal year 1996 identifying its acquisition of the UNIX business;
- 6) An Internet printout from SCOSOURCE, which appears to be a public letter, dated March 17, 2003, concerning SCO's lawsuit against IBM over the UNIX source codes;
- 7) An Internet printout from C/NET NEWS.COM, last modified June 4, 2003, indicating that the 1995 contract between Novell and SCO concerning UNIX ownership appears to grant SCO broad rights to the operating system while Novell retains copyrights and patents;
- 8) An Internet printout from SCO, byline dated June 6, 2003, releasing Amendment No. 2 to Schedule 1.1(b) subsection A of the 1995 Asset Purchase Agreement between Novell and SCO in support of SCO's public position that it owns the UNIX copyrights;
- 9) An Internet printout of what may be Amendment 2 to the 1995 Asset Purchase Agreement between Novell and SCO;
- 10) A copy of the 1999 Deed of Assignment between Novell and X/Open Company Limited, and accompanying USPTO recordal sheet, for the assignment of Registration Nos. 1392203 and 1390593;
- 11) An Internet printout from THE OPEN GROUP concerning the SCO-IBM litigation setting forth The Open Group's position that it owns the UNIX trademarks while SCO owns the rights in the UNIX operating system only.
- 12) A copy of the September 19, 1995 UNIX Asset Purchase Agreement between Novell and SCO;
- 13) A Copy of Amendment 1 to said agreement, dated December 6, 1995;
- 14) A copy of Amendment 2 to said agreement, dated October 16, 1996; and

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- 15) A copy of the complaint in *The SCO Group, Inc. v. Novell, Inc.*, Case No. 040900936 in The Third Judicial District Court of Salt Lake County, State of Utah. In this suit for Slander of Title, SCO claims at paragraph 15 that it owns all "copyrights and trademarks owned by Novell at the date of the [Asset Purchase Agreement] required for SCO to exercise its rights with respect to the acquisition of UNIX and UnixWare technologies."<sup>6</sup>

Applicant argues that, in light of the 1995 agreement between Novell and SCO, any assignment of the UNIX trademarks by Novell after 1995 would have been without the goodwill attached thereto. In addition, applicant argues that, in view of the "non-compete" clause between Novell and SCO, even if Novell had not assigned its trademark rights in 1995, it had necessarily abandoned the marks in 1995 and had nothing to transfer to opposer in 1999.

In response, opposer argues that applicant's motion is merely a ruse to reopen discovery after applicant failed to take discovery before the period closed, and after the Board subsequently denied applicant's motion to extend discovery (filed on the last day of discovery). Opposer argues that the information applicant submits in support of his motion was public, available for at least six months before the motion was brought, and, thus, not "newly found" for purposes of excusing his delay in bringing the motion. Opposer argues that applicant's motion is untimely, and grossly prejudicial to

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<sup>6</sup> Exhibits 1-11 accompany applicant's first motion to amend his pleading (filed December 22, 2003). Exhibits 12-15 accompany applicant's second (amended) motion to amend his pleadings (filed January 22, 2004).

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opposer. In particular, opposer contends that applicant's motion was brought after discovery was closed, and shortly before the opening of the first testimony period, then amended later in what was opposer's scheduled first testimony period; and that applicant's evidence in support of his motion is not new because only one document was created later than June 3, 2003, and one document dates back to 1985. Opposer argues that granting applicant's motion would necessitate reopening discovery, including time and cost, and delay a decision on the merits of the case; that is, whether applicant's INUX mark for operating systems is confusingly similar to opposer's UNIX mark for operating systems.

Opposer contends that one of the documents submitted by applicant shows that SCO admits that The Open Group<sup>7</sup> is the owner of the UNIX and UNIXWARE marks. See Exhibit No. 8 to applicant's motion, SCO Investor Relations. Thus, according to opposer, applicant's motion is legally insufficient and would serve no useful purpose. Opposer contends that the transfer of the registered marks from Novell to opposer is not fraudulent even in view of the agreement between Novell and SCO because "source code" does not equate to "goodwill," and the assignment to opposer included the goodwill associated with the marks.

In reply, applicant argues that his motion to amend his pleading is not untimely, and that the history of the UNIX marks is complex. Applicant argues that SCO publicly released

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<sup>7</sup> Opposer explains that The Open Group is opposer's trading name.

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proprietary information and documents as part of its information campaign with respect to its lawsuit against IBM. In addition, applicant argues that there are millions of references to "unix" on the Web, making it difficult and time-consuming to review and narrow to those which may be pertinent here. Thus, according to applicant, and contrary to opposer's position, the information applicant now has was not readily or publicly available for a long period of time before he brought his motion.

Leave to amend pleadings must be freely given when justice so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties. See Fed.R.Civ.P. 15(a); TBMP §507.02 (2<sup>nd</sup> ed. June 2003). The timing of a motion for leave to amend under Fed.R.Civ.P. 15(a) is a major factor in determining whether the adverse party would be prejudiced by allowance of the proposed amendment. See *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503 (TTAB 1993).

Applicant has adequately explained his delay in bringing his motion to amend his pleading, attributable to the volume of "hits" on the Internet, the more recent commencement of litigation by SCO, and the release by SCO of documents that may have been previously unavailable publicly. Applicant brought his motion prior to commencement of the first testimony period, albeit after discovery had closed. In order to permit adequate discovery and avoid extreme prejudice, said period may be reopened, directed solely to the new claims.

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Applicant is not required to prove his newly asserted claims at the time his motion to amend is brought. He need only allege such facts which, if proven at trial or upon a motion for summary judgment, would establish that valid grounds exist for cancelling opposer's pleaded registrations.<sup>8</sup> That is, the merits of the pleadings are not determined until the parties have an opportunity to submit their proofs thereon. See *Dynachem Corporation v. The Dexter Corporation*, 203 USPQ 218 (TTAB 1979).

Applicant has supported his motion to amend his answer, affirmative defenses, and counterclaim with submissions indicating that, at a minimum, there may be a question as to the scope of the 1995 agreement between Novell and SCO, and whether it included a transfer of the trademarks at issue here; the nature of the relationship between Novell and SCO prior to the assignment from Novell to opposer of the registrations, whether Novell had ownership rights in the marks and registrations to transfer to opposer in 1999, and the nature of any such rights.

Accordingly, applicant's motion to amend his answer, affirmative defenses, and counterclaim is granted, and applicant's second amended answer, affirmative defenses, and counterclaim (filed January 22, 2004) is noted and entered.

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<sup>8</sup> The Board notes in passing that the submissions made in support of applicant's motion to amend his pleadings do not establish the absence of genuine issues of material fact as would be necessary to prevail on a motion for summary judgment.

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Opposer is allowed until **thirty days** from the mailing date of this order to file its answer to applicant's second amended counterclaim.

In an order dated February 11, 2004, the Board suspended opposer's time to respond to applicant's motion (filed January 28, 2004) to accept late service of his discovery responses to opposer. Now that proceedings are resumed, opposer is allowed until **twenty days** from the mailing date of this order to file its response thereto, failing which, applicant's motion may be granted as conceded.

Applicant, in bringing his motion to amend his pleading, indicated he understood that any reopening of discovery may be made solely with respect to the matters raised in his amended pleading. The Board finds this to be appropriate in that discovery on the original pleadings closed prior to applicant's motion to amend his answer, affirmative defenses and counterclaim.

Accordingly, discovery is reopened solely with respect to the matters arising from the amendments to applicant's pleading, and dates are reset as follows:

THE PERIOD FOR DISCOVERY TO CLOSE: 7/1/04

30-day testimony period for  
plaintiff in the opposition to close: 9/29/04

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30-day testimony period for defendant in the opposition  
and as plaintiff in the counterclaim to close: 11/28/04

30-day testimony period for defendant in the counterclaim  
and its rebuttal testimony as plaintiff in the  
opposition to close: 1/27/05

15-day rebuttal testimony period for plaintiff in the  
counterclaim to close: 3/13/05

**Briefs shall be due as follows:**

[See Trademark rule 2.128(a)(2)].

Brief for plaintiff in the opposition shall be due: 5/12/05

Brief for defendant in the opposition and as  
plaintiff in the counterclaim shall be due: 6/11/05

Brief for defendant in the counterclaim and its reply  
brief (if any) as plaintiff in the opposition  
shall be due: 7/11/05

Reply brief (if any) for plaintiff in the  
counterclaim shall be due: 7/26/05

In each instance, a copy of the transcript of testimony  
together with copies of documentary exhibits, must be served on

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the adverse party within thirty days after completion of the taking of testimony. Rule 2.125.

Briefs shall be filed in accordance with Rule 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Rule 2.129.

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