

UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451

BUTLER

Mailed: May 18, 2011

Opposition No. 91124762
Cancellation No. 92040092

KAPALUA LAND COMPANY LTD.

v.

INTERFASHION LTD., B.V.I. and DC
DESIGN & CONCEPTS GMBH

Before Bucher, Taylor and Mermelstein, Administrative Trademark
Judges.

By the Board:

In this consolidated proceeding, Cancellation No. 92040092 commenced on July 9, 2001 against defendant's two registrations for the marks KAPALUA.¹ In accordance with the first amended petition to cancel, filed January 31, 2006, the grounds for cancellation are: 1) abandonment based on nonuse with no intention to use the mark on the identified goods;² 2) likelihood

¹ Registration No. 2016976 was cancelled under Trademark Act § 8 on September 28, 2006. In its order of October 20, 2006, denying plaintiff's first motion for summary judgment, the Board entered judgment against defendant with respect to this registration.

Registration No. 2115124 issued on November 25, 1997 under Trademark Act § 44(e). The mark KAPALUA is registered for "clothing, namely, dresses, skirts, jackets, suits, pullovers, sweaters, pants, shirts, T-shirts." The registration has been renewed.

² Under § 44(e), where there has been no use of the mark in the United States, a claim of abandonment would be established by proof that the owner of the registration had not "commenced" use of its mark after its U.S. registration had issued and had no intent to "commence" use. See *Imperial Tobacco Ltd. v. Philip Morris, Inc.*, 899 F.2d 1575, 14

of confusion; 3) dilution; and 4) fraud in filing the Trademark Act § 8 affidavit.

Opposition No. 91124762 commenced on October 31, 2001 against defendant's application Serial No. 76023641, filed April 11, 2000, for the mark KAPALUA.³ As grounds for the opposition, plaintiff alleges 1) priority of use and likelihood of confusion, and 2) dilution.

After commencement, proceedings were suspended or extended by the parties until plaintiff filed its first motion for summary judgment in the cancellation proceeding. As noted earlier, that summary judgment motion was denied by the Board in an order dated October 20, 2006.⁴ In denying plaintiff's motion, the Board noted that the abandonment claim as pled in the cancellation proceeding was premised on defendant's alleged nonuse of the mark in commerce but that plaintiff also argued abandonment "related to chain of title issues or transfers of the involved registration."⁵ The Board informed plaintiff that, if it

USPQ2d 1390 (Fed. Cir. 1990); and *The Procter & Gamble co. v. Sentry Chemical Co.*, 22 USPQ2d 1589, 1592.

³ The subject application is based on applicant's declaration of its bona fide intent to use the mark in commerce. Trademark Act § 1(b). Applicant seeks to register the mark for a range of goods identified in international Classes 3, 9, 14, 18, 21, and 25.

⁴ The Board also consolidated the two proceedings at such time.

⁵ October 20, 2006 order at page 7.

intended "to pursue the latter course, petitioner should amend its petition for cancellation to reflect the change in focus."⁶

Shortly after the October 20, 2006 order issued, plaintiff filed a second motion for summary judgment, which was denied by the Board in an order dated May 5, 2008. Since that time, proceedings have been extended or suspended by the parties. In accordance with the parties' most recent agreed-upon schedule, plaintiff's first 30-day testimony period was set to close on April 4, 2011, (*i.e.*, opening on March 6, 2011).

This case now comes up on plaintiff's fully briefed motion, filed March 3, 2011, for leave to amend its pleadings, accompanied by proposed amended pleadings. Specifically, plaintiff seeks to amend the petition to cancel to add a single paragraph to its remaining abandonment claim (asserting nonuse of the mark in Registration No. 2115124 for more than three years with no intention to use the mark). Plaintiff's proposed amendment would also assert nonuse by a prior owner of the involved registration and subsequent invalid assignment or assignments as follows:

6. On information and belief, the involved registrations were invalidly assigned, as the marks had been abandoned through non-use prior to the assignments.

Plaintiff seeks to add a single paragraph to its notice of opposition to add a new claim as follows:

⁶ *Id.*

8. Applicant is not entitled to registration of KAPALUA because, on information and belief, the subject Application Serial No. 76/023,641 is an intent-to-use application that was invalidly assigned where there was not an ongoing and existing business (or portion thereof) to which the mark pertained, pursuant to Section 10 of the Trademark Act.

In support of its motion, plaintiff states that new counsel recently made an appearance, on December 15, 2010; that files were not available for review by new counsel until January 6, 2011; and that additional files and materials were still being received by new counsel as of February 24, 2011. Based on a review of these files, new counsel observes that the parties had extended the deadlines for some time for settlement purposes after the two motions for summary judgment were denied; that, given the prospect of settlement, an attempt was made to minimize and defer expenditures and resources for trial, including preparation and submission of amended pleadings; that, as recently as January and February 2011, the plaintiff sent proposed settlement documents to defendant; that settlement ultimately has not been successful; and that, in preparation for trial, plaintiff seeks to amend its pleadings as suggested by the Board in its order of October 20, 2006. Plaintiff argues that defendant is not prejudiced and would not need additional discovery because all chain of title documents and related information are items within the possession, custody and control of defendant and its predecessors-in-interest; that plaintiff is not proposing a new claim for the cancellation but only

clarifying the factual basis for the existing claim; and that, at least some of the assignments took place after the notice of opposition was filed. Plaintiff acknowledges that there has been some delay in seeking to amend the pleadings, but argues that it would have made no sense to seek leave to amend sooner in light of the then-existing settlement discussions. The motion is supported by the declaration of plaintiff's new attorney and accompanying exhibits, including the proposed amended pleadings.

In response, defendant argues that the proposed amended pleadings are untimely and are extremely prejudicial to defendant because of the timing. Defendant notes that plaintiff delayed for more than four years after the Board suggested that plaintiff consider amending the petition to cancel before seeking to do so and argues further that neither the existence of the settlement discussions nor the retaining of new counsel excuse a four-year delay in filing a simple motion where the proposed amendments to the pleadings are not significant and would not have required much effort in terms of expenditures or resources. Defendant states that it is extremely prejudiced because "the long delay has left a cold evidence trail, *i.e.*, the persons with information and documents necessary to defend against the proposed amended claim are no longer available." Defendant explains that DC Design & Concepts GMBH ("DC") is the present owner of the registration and application at issue; that the assignments related to DC's ownership were recorded with the

USPTO on December 28, 2006; that DC acquired the application and registration from a bankruptcy proceeding in Germany; that DC did not obtain the business records of the prior companies in the purchase transaction, does not know if such records exists, and - if they do exist - does not know where they may be; and that DC is not in a position to gather the information and documents it may need to defend against the proposed allegations as a result of plaintiff's long delay in seeking to amend the pleadings.

Defendant notes that the Board's October 20, 2006 order refers to affidavits signed by Mr. Reusch and Ms. Tan and explains that they are no longer associated with DC; that they have not been associated with DC for a number of years; and that defendant believes they may be located in Hong Kong but no one at DC keeps in touch with them or knows how to reach them. Defendant further explains that some prior employees of DC had worked for the predecessor companies, but that all such employees had been replaced near the end of 2008; and that, today, DC does not have any employees that previously worked for DC's predecessors-in-interest. Defendant points out that the proposed amendments to the pleadings are not based on any newly discovered evidence. Defendant's motion is supported by the declaration of DC's head of sales for the KAPALUA brand who indicates that, when DC purchased the marks, registrations and application from the German bankruptcy proceeding, it was aware of the legal

proceeding in the U.S. but did not have any first hand knowledge or records relating to the case.

In reply, plaintiff argues that the reason for the delay in seeking to amend the pleadings was to keep the lines of communication open for settlement, and that such reason is not trivial. Plaintiff argues that the proposed amendment to the cancellation merely clarifies and amplifies the facts of the abandonment claim, was expressly suggested by the Board, and there should not be any surprise to the defendant. Plaintiff points out that defendant has been represented by the same attorney throughout this proceeding and argues that he is fully aware of the issue of defendant's use and plaintiff's contentions in connection therewith. Plaintiff also argues that defendant's attorney has not stated he would be unable to contact the potential witnesses referenced by defendant. Plaintiff speculates that the testimony of those referenced potential witnesses that defendant says it has lost contact with will be necessary in any event to defend against the presently-operative abandonment claim.

After the passage of twenty-one days from the filing of a pleading to which no responsive pleading is required, a party may amend its pleading only by the written consent of every adverse party or by leave of the Board. Inasmuch as leave is freely given when justice so requires, the Board liberally grants leave to amend pleadings at any stage of a proceeding 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)(2); and TBMP § 507.02 (3d ed. 2011).

We find that plaintiff unduly delayed in seeking to amend its pleading resulting in unmitigatable prejudice to defendant. The proposed factual allegations supporting the existing abandonment claim in the cancellation and supporting the completely new, proposed claim in the opposition were known to plaintiff by 2006 when the Board, in its order of October 20, 2006, suggested that plaintiff consider whether to amend its petition to cancel to reflect the change in focus, and further consolidated the two proceedings. Instead of seeking leave to amend the petition to cancel, plaintiff filed a second motion for summary judgment on December 29, 2006 (denied by order of the Board dated May 5, 2008). Since that time plaintiff did not seek to amend its pleadings until March 3, 2011. Over the passage of those years, defendant, who obtained the registration and application from a German bankruptcy proceeding in 2006, lost the opportunity to obtain records from predecessors (or even find out whether such records existed); and, by the end of 2008, replaced any personnel that may have associated with a predecessor company. Although the parties were involved in settlement discussions since the issuance of the May 5, 2008 order, we agree with defendant that the proposed amendments to the pleadings were

not so substantial as to result in significant expenditure or involve significant resources and should have been brought much earlier to put defendant on notice of the claims, or aspects of the claims (as discussed in the Board's October 20, 2006 order), upon which plaintiff intended to proceed.⁷

Accordingly, plaintiff's motion for leave to amend the petition to cancel and the notice of opposition is denied. The first amended petition to cancel (filed January 31, 2006 in the cancellation proceeding) and the original notice of opposition remain the operative pleadings in this consolidated proceeding for plaintiff.

Proceedings are resumed and dates are reset as follows:

30-day testimony period for party **7/1/2011**
in position of plaintiff to
close:

30-day testimony period for party **8/30/2011**
in position of defendant to
close:

15-day rebuttal testimony period **10/14/2011**
to close:

In each instance, a copy of the transcript of testimony together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of the taking of testimony. Trademark Rule 2.125.

⁷ The Board notes in passing that the discovery period has been closed since November 24, 2006 and proceedings are now on the eve of trial after ten years of litigation. Now is not the time to be seeking to amend pleadings which could have been amended four years ago. It is time for this case to come to conclusion.

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