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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91217238
Party	Plaintiff Instagram, LLC
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

Instagram, LLC,	§	Opposition No. 91217238
	§	
Opposer,	§	Serial No.: 86/042,264
	§	
v.	§	Mark: FLIPAGRAM
	§	
Flipagram, Inc.,	§	International Class: 09
	§	
Applicant.	§	Published: January 7, 2014
	§	

**INSTAGRAM, LLC’S REPLY IN SUPPORT OF INSTAGRAM’S MOTION FOR
JUDGMENT ON THE PLEADINGS AS TO APPLICANT FLIPAGRAM, INC.’S
COUNTERCLAIM AND SIXTH AND SEVENTH AFFIRMATIVE DEFENSES**

I. Introduction

Flipagram’s opposition brief only reinforces Instagram’s motion. Flipagram offers no authority supporting its theory that an alleged license to use “Insta” or “Gram,” but not INSTAGRAM (which Instagram accepts for purposes of this motion only), could lead to an abandonment of the INSTAGRAM mark through naked licensing. No such authority exists because it would contradict the basic purpose of the naked licensing doctrine: to prevent consumer deception from the use of *identical* marks on non-genuine goods and services. That is not the case here. The licensee estoppel cases Flipagram cites drive home the merit of Instagram’s motion still further. As a matter of law, the Board could not find naked licensing on the facts Flipagram has alleged.

Flipagram’s procedural arguments also lack merit. Instagram’s motion is timely and does not prejudice Flipagram in any way. To the contrary, this motion serves the interest of efficiency by removing extraneous and legally invalid issues Flipagram has introduced to complicate what should be a straightforward proceeding. Furthermore, Flipagram itself caused the delays about which it now complains. The parties’ discovery disputes are not before the Board, but regardless Instagram is working with Flipagram in good faith to provide additional supplemental written discovery responses and documents, while at the same time seeking to resolve deficiencies in Flipagram’s discovery responses and documents.

The remainder of Flipagram’s arguments also fail. Flipagram’s equitable argument fails based on the facts in the same case it cites in its brief. Flipagram is also wrong when it argues that licensee estoppel cannot be decided on the pleadings. Finally, Flipagram’s new attempt to recast its counterclaim as an alternative pleading flatly contradicts both the language of its counterclaim and its prior representations to the Board.

II. Argument

A. Instagram’s Motion is Timely, Appropriate and in the Interest of Efficiency.

In Board proceedings, a motion for judgment on the pleadings is timely if it is filed “prior to the opening of the first testimony period, as originally set or as reset.” TBMP § 504.01. Instagram filed its motion approximately five months before the testimony period was set to open. The motion is timely and Flipagram has no authority to the contrary.

Flipagram urges the Board to ignore the merit of Instagram’s timely motion on the grounds that two prior motions have been filed in this proceeding. Prior motion practice does not prejudice Flipagram. Nor is it a permissible basis for Flipagram to take a legally invalid counterclaim to trial under any circumstances. Moreover, Flipagram was responsible for both of the motions it now complains about. Instagram filed its motion to strike because Flipagram improperly tried to expand the scope of this proceeding by asserting six meritless affirmative defenses that the Board properly struck. [TTABVUE Doc. 22]. It is even more disingenuous for Flipagram to claim Instagram “forced” it to halt this proceeding with a motion to compel. (*See, e.g., Opp., p. 2, n. 1.*) To the contrary, the Board denied Flipagram’s motion because Flipagram unilaterally terminated the meet and confer process and filed its motion *after Instagram agreed to supplement its written answers and produce additional documents.*¹ [TTABVUE Doc. 41].

¹ The discovery disputes in this case are not at issue in this motion. But, in the interest of correcting the record, Flipagram fails to acknowledge that Instagram’s prior counsel served supplemental written answers and produced additional documents even after Flipagram brought the proceeding to a halt with its improper motion. When Instagram’s new counsel took over they asked Flipagram to identify the outstanding discovery issues so the parties could streamline the meet and confer process, at which point Flipagram raised additional issues that were not part of the prior motion. The parties have been meeting and conferring with respect to both parties’ discovery obligations. Instagram is preparing and will be serving additional supplemental

This motion does not prejudice Flipagram in any way. Instagram’s new counsel appeared in this case in late July, and filed this motion promptly after familiarizing themselves with the lengthy record and the myriad of extraneous issues Flipagram has introduced into an otherwise straightforward opposition proceeding. The motion was filed months before the deadline specified in the TBMP. No depositions have been taken in the case and the parties are continuing to meet and confer regarding outstanding discovery issues while the motion is pending. The motion serves the interest of efficiency and streamlines the proceeding by expeditiously resolving Flipagram’s legally invalid counterclaim for cancellation of the Instagram registrations and its duplicative affirmative defenses. It is in the parties’ and the Board’s best interest to resolve these issues now rather than complicating the remainder of discovery and trial on claims that were doomed from the outset. Flipagram’s procedural arguments have no merit and should be rejected.

B. Flipagram’s Theory of Abandonment Based on Naked Licensing Contradicts All of the Relevant Authority.

As Instagram predicted, Flipagram has not cited any authority to support its theory that an alleged license in one element of a mark could legally constitute a naked license that caused the entire (unlicensed) mark to become abandoned. Flipagram cannot find that authority because its argument contradicts the entire purpose of the narrow naked licensing doctrine.

The Seventh Circuit has explained that the doctrine applies when a mark is nakedly licensed “so that consumers are not deceived *by the identity of names* into buying a product different from what they reasonably expected.” *Draeger Oil Co. v. Uno-Ven Co.*, 314 F.3d 299, 301 (7th Cir. 2002) (internal quotations omitted) (emphasis added); *see also Blake v. Prof’l Coin Grading Serv.*, 898 F. Supp. 2d 365, 385 (D. Mass. 2012) (same); *Westco Grp., Inc. v. K.B. & Associates, Inc.*, 128 F. Supp. 2d 1082, 1088 (N.D. Ohio 2001) (when a licensee is permitted to engage in uncontrolled use of the licensor’s entire mark, “the message of the trademark or trade name ‘is false because without control of quality, the goods and services are not truly genuine.’”)

answers and a further document production and also continues to meet and confer with Flipagram about deficiencies in Flipagram’s written answers and document production.

(quoting McCarthy, § 18:42 (4th ed. 1997)). This is why even secondary sources discuss naked licensing specifically in the context of a license to use the entire trademark on non-genuine goods or services. *See, e.g.*, Restatement (Third) of Unfair Competition (1995), § 33, Comment (d) (“An uncontrolled or ‘naked’ license allows *use of the trademark* on goods or services for which the trademark owner cannot offer a meaningful assurance of quality.”) (emphasis added); 3 McCarthy on Trademarks and Unfair Competition § 18:48 (4th ed.) (“Uncontrolled licensing of *a mark* whereby the licensee can place *the mark* on any quality or type of goods or services may cause *the mark* to lose any significance it may have.”) (emphasis added). Flipagram’s allegation that the API Terms of use conveyed a trademark license in “Insta” or “Gram” but not INSTAGRAM fails as a matter of law to support Flipagram’s claim that Instagram abandoned the INSTAGRAM mark through naked licensing.

Flipagram has no authority to the contrary. The language Flipagram quotes from *Acme Valve & Fittings Co. v. Wayne*, 386 F. Supp. 1162 (S.D. Tex. 1974) is taken out of context. That case was discussing the difference between a license and an assignment in a case involving two parties who each claimed the exclusive right to use *identical* marks. *Id.* at 1163, 1165. Similarly in *Bunn-O-Matic Corp. v. Bunn Coffee Serv., Inc.*, 88 F. Supp. 2d 914 (C.D. Ill. 2000) (which is the case discussed in McCarthy section 18:79), the defendant licensed the plaintiff’s entire registered BUNN mark. *Id.* at 918.² (*See* Opp. 11:21-12:4.)

It is no surprise that all of the cited authority supports Instagram. Abandonment through naked licensing is a powerful doctrine that involuntarily strips the trademark owner of its rights. As such, it is extremely narrow and requires the party asserting it to satisfy “a stringent standard of proof.” *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir. 1992) (internal quotations omitted).³ The on-point authority is clear that this powerful but narrow doctrine exists

² Flipagram also cites *Hunter Indus., Inc.*, 110 U.S.P.Q.2d 1651 (T.T.A.B. Mar. 31, 2014), which had nothing to do with naked licensing, or even trademark licensing.

³ Flipagram asserts that its “naked licensing” affirmative defense is narrower in scope than its counterclaim and subject to a lower burden of proof. (Opp. 3:14-16, 13:3-10.) That argument is irrelevant because this is not a naked licensing case of any kind. But it must also be noted that Flipagram did not take that position in its opposition to Instagram’s motion to strike, nor did Flipagram object when the Board explicitly ruled that Flipagram’s sixth and seventh affirmative

specifically to ensure that consumers are not deceived by uncontrolled use of *identical* marks on non-genuine products. The policy underlying the doctrine simply does not apply to the facts Flipagram has alleged, and Flipagram’s naked licensing theory fails as a matter of law. The Board should grant Instagram judgment on the pleadings as to Flipagram’s naked licensing counterclaim and affirmative defense.

C. The Licensee Estoppel Cases Involving Multiple Licensees Support Instagram.

Flipagram’s primary argument with respect to licensee estoppel is that some courts have declined to apply estoppel in cases involving multiple licensees. But the cases Flipagram relies on only reinforce Instagram’s motion.⁴ Flipagram bases its argument on a line of cases originating with *Westco Grp., Inc. v. K.B. & Associates, Inc.*, 128 F. Supp. 2d 1082, 1090 (N.D. Ohio 2001), which was a traditional naked licensing case involving the use of identical marks. In *Westco* the plaintiff owned the mark MATTRESS WAREHOUSE and licensed both the defendant and a third party to use the identical MATTRESS WAREHOUSE mark. The defendant requested permission to expand its use of the licensed mark. The licensor refused but the defendant went ahead anyway and the licensor sued for infringement and breach of contract. The defendant argued that the licensor had abandoned the MATTRESS WAREHOUSE mark by nakedly licensing it to the defendant and to the third party. The court ruled that the defendant was estopped from claiming its own license to use MATTRESS WAREHOUSE was a naked license. *Id.* at 1090.

defenses are “redundant” and “merely reiterate Applicant’s counterclaims.” [TTABVUE Doc. 22, p. 5].

⁴ Flipagram cites a 1973 Fifth Circuit decision to argue that courts are split over whether licensee estoppel can ever bar a naked licensing claim, but the Fifth Circuit handed down its seminal *Prof'l Golfers Ass'n of Am. v. Bankers Life & Cas. Co.*, 514 F.2d 665, 671 (5th Cir. 1975) ruling applying licensee estoppel to a claim of naked licensing two years later. The Board decisions and federal cases cited in both parties’ briefs confirm the doctrine applies in cases such as this. *See, e.g. Westco Grp., Inc. v. K.B. & Associates, Inc.*, 128 F. Supp. 2d 1082, 1089 (N.D. Ohio 2001) (cited by Flipagram throughout its opposition) (“The majority of courts to consider the issue in the wake of *Prichard* have found that the doctrine of licensee estoppel bars a licensee from asserting a naked licensing defense.”).

Flipagram relies on the fact that the court allowed the defendant to argue naked licensing based on the license to the third party. But Flipagram omits the *basis* for the court's decision:

When a licensor fails to control the quality of goods or services sold by other licensees, a licensee loses the value of its license. In such a situation, the licensor has abandoned the trademark or trade name, rendering it useless as an indicator of origin. Yet the licensee remains subject to the terms of the license, and perhaps even continues to compensate the licensor for its rights to the trademark or trade name. This result is avoided by allowing a licensee to raise a naked licensing claim based on the licensor's relations with third-party licensees.

128 F. Supp. 2d at 1090. In other words, the third party license in *Westco* was only relevant because both licensees had licensed the plaintiff's identical mark. The *Westco* court reasoned, justifiably, that it would be inequitable to force a licensee to continue paying contractual royalties to use a term after the licensor had caused the term to enter the public domain through naked licensing to others. The other decisions Flipagram relies on – *Kebab Gyros, Inc. v. Riyad*, No. 3:09-0061, 2009 WL 5170194, at *7 (M.D. Tenn. Dec. 17, 2009) and *John C. Flood of Virginia, Inc. v. John C. Flood, Inc.*, 700 F. Supp. 2d 90, 98 (D.D.C. 2010), *judgment entered*, No. CIV. 06-1311 (RJL), 2010 WL 2640462 (D.D.C. June 30, 2010), and *aff'd and remanded*, 642 F.3d 1105 (D.C. Cir. 2011) – simply quoted *Westco* for the same proposition in other cases involving licenses to use the plaintiff's exact mark.

That reasoning does not apply here. Flipagram has not alleged, and could not allege, anything approaching the facts that made third party licenses relevant in *Westco* or *Kebab Gyros* (or that might have been relevant had they existed in *John C. Flood*). Far from helping Flipagram, the *Westco* court's reasoning strengthens Instagram's motion. Like the authority discussed in the previous section, the *Westco* line of cases underscores the fact that naked licensing is limited to cases involving licenses to use the licensor's identical mark. Flipagram has not alleged that Instagram licensed INSTAGRAM to third parties, so the *Westco* analysis favors Instagram.

Flipagram's reliance on *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509 (9th Cir. 2010) is equally misplaced. That case, like all of the other naked licensing cases cited by both parties, involved a license to use the plaintiff's exact mark. Moreover, Flipagram concedes

the Ninth Circuit did not even consider licensee estoppel in *Freecycle*. Flipagram urges the Board to find that the Ninth Circuit “implicitly” rejected licensee estoppel, but that would contradict the court’s explicit words:

TFN's remaining two arguments—(1) that FS must show both naked licensing *and* a loss of trademark significance, and (2) that FS is estopped from supporting its naked licensing defense with evidence that demonstrates that TFN did not adequately control the services offered by FS when using the trademarks—are both raised for the first time on appeal, *so we decline to reach them*.

Id. at 519 (first emphasis in original; second emphasis added). *Freecycle* is yet another case that strengthens Instagram’s motion.

Flipagram’s argument regarding third party licensees does not withstand scrutiny. Even if Flipagram could allege the facts necessary to state a valid naked licensing claim (which it cannot), the licensee estoppel reasoning in cases such as *Garri Publ'n Associates Inc.*, 10 U.S.P.Q.2d 1694, 1697 (P.T.O. Dec. 16, 1988), *Arleen Freeman v. Nat'l Ass'n of Realtors*, 64 U.S.P.Q.2d 1700, 1703 (P.T.O. June 18, 2002), *Leatherwood Scopes Int'l, Inc.*, 63 U.S.P.Q.2d 1699, 1703 (P.T.O. Feb. 21, 2002) (non-precedential), *Prof'l Golfers Ass'n of Am. v. Bankers Life & Cas. Co.*, 514 F.2d 665, 671 (5th Cir. 1975) and *E.G.L. Gem Lab Ltd. v. Gem Quality Institute, Inc.*, 90 F. Supp. 2d 277, 291-92 (S.D.N.Y. 2000) would estop Flipagram from asserting naked licensing notwithstanding the *Westco* line of cases. This is an independent reason for the Board to grant Instagram judgment on the pleadings as to naked licensing.

D. Flipagram’s Remaining Naked Licensing Arguments Fail.

Flipagram’s cursory arguments regarding the relative equities of the case and the propriety of granting judgment on the pleadings as to licensee estoppel also fail. Flipagram argues that *Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc.*, 153 F. Supp. 2d 512 (S.D.N.Y. 2001), aff'd, 43 F. App'x 408 (2d Cir. 2002) stands for the proposition that it should be permitted to seek cancellation of the Instagram registrations notwithstanding licensee estoppel, but that case does not support Flipagram’s argument. In *Martha Graham*: the defendant had adopted and used the mark without any evidence of a license for decades before the plaintiff even registered it; the plaintiff obtained the trademark

registrations at issue by misleading the PTO about the its ownership of the mark *vis a vis* the defendant; the decades-belated written license existed for only ten months; the license was negotiated by representatives of the defendant who were directly answerable to the plaintiff; and the defendant was a nonprofit organization. *Id.* at 515-23. The court properly held that those unique and egregious circumstances made it inequitable to bar the defendant from asserting ownership of the mark it used for decades. No such priority or any other facts even approaching the circumstances in *Martha Graham* has been alleged here.

Flipagram is also wrong when it asserts that licensee estoppel cannot be decided on the pleadings. In *Garri* the Board relied on licensee estoppel to deny the plaintiff's motion for leave to amend his cancellation petition under the extraordinarily liberal standard for permitting amended pleadings. The cases Flipagram cites are not to the contrary and they do not help Flipagram. *Kebab Gyros* does not support Flipagram because the court in that case was concerned with the totality of the circumstances regarding whether the plaintiff had nakedly licensed its exact mark to third parties, raising the same concerns that arose in *Westco* but are not at issue here. *Pride Publ'g Grp. Inc. v. Edwards*, No. 1:08-CV-94, 2008 WL 2201516, at *1 (E.D. Tenn. May 23, 2008) is also inapposite. The court in that case declined to apply licensee estoppel in the preliminary injunction context where the defendant had licensed plaintiff's exact mark and the plaintiff allowed its (state) trademark registration to lapse during the course of the license. The material facts of this case are analogous to *Garri*, and judgment on the pleadings is proper.

E. Flipagram's Counterclaim was not Pled in the Alternative and the Board Should Grant Instagram Judgment on the Pleadings as to Flipagram's Second Count of its Counterclaim and Seventh Affirmative Defense.

Insofar as Flipagram has asserted that it received a trademark license from Instagram, the doctrine of licensee estoppel bars Flipagram from maintaining the second count of its counterclaim and duplicative Seventh Affirmative Defense. *See, e.g., Freeman v. Nat'l Ass'n of Realtors*, 64 U.S.P.Q.2d at 1703-04; *Sturgis Area Chamber of Commerce v. Sturgis Rally & Races, Inc.*, 99 F. Supp. 2d 1090, 1096-97 (D.S.D. 2000).

Flipagram denies that it committed itself to the position that the API Terms of use conveyed a trademark license. It argues that its counterclaim was pled in the alternative, alleging that the API Terms were either a trademark license or a consent to use. (Opp. 14:11-22.) But Flipagram’s own words belie this argument.

The Federal Rules of Civil Procedure require pleadings to be “simple, concise and direct” to put the opposing party on notice of what facts and theories the pleading party intends to assert. Fed.R.Civ.P. 8(d)(1). Applying that basic standard Flipagram’s counterclaim does not pass muster as an alternative pleading. Although the word “consent” appears in the factual allegations of the counterclaim, the counterclaim itself uses the terms “license” and “consent” interchangeably and in a manner that does not put Instagram or the Board on notice that Flipagram was attempting to assert alternative, inconsistent theories.

The truth is Flipagram did not intend to plead license and consent as alternative theories. To the contrary, Flipagram expressly acknowledged in its opposition to Instagram’s motion to strike Flipagram’s Seventh Affirmative Defense that the “assertion of naked licensing [i.e. that the prior permissive language in the API Terms of Use conveyed a trademark license] *amplifies* Flipagram’s claims that Opposer has *expressly consented, has failed to exercise any quality control*, and is now acting unfairly.” (TTABVUE Doc. 20, 9:17-19] (emphasis added); *see also* TTABVUE Doc. 22, p. 5 (holding that Flipagram’s Seventh Affirmative Defense is “redundant” and “merely reiterate[s]” the second count of Flipagram’s counterclaim). Flipagram’s admission that “naked licensing” is an “amplification” of its allegations of “consent” is an admission that its counterclaim was *not* pled in the alternative. Flipagram’s new argument contradicting its prior explicit position is mere gamesmanship and must be rejected.

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III. Conclusion

For the foregoing reasons, Instagram respectfully requests that its Motion for Judgment on the Pleadings be granted in full.

Respectfully submitted,

KILPATRICK TOWNSEND & STOCKTON LLP

Dated: October 26, 2016

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CERTIFICATE OF ELECTRONIC TRANSMISSION

I hereby certify that this correspondence is being transmitted to the United States Patent and Trademark Office Trademark Trial and Appeal Board using the Electronic System for Trademark Trials and Appeals (ESTTA) on the date indicated below.

Dated: October 26, 2016

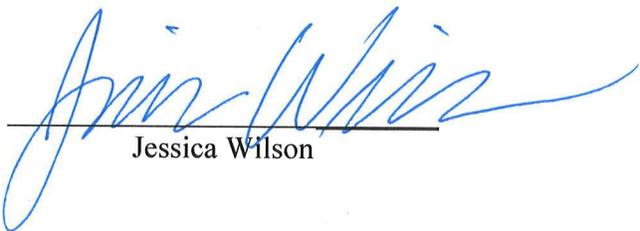
By: /Christopher T. Varas/
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CERTIFICATE OF SERVICE

I hereby certify that on October 26, 2016 I served the foregoing INSTAGRAM, LLC'S REPLY IN SUPPORT OF INSTAGRAM'S MOTION FOR JUDGMENT ON THE PLEADINGS AS TO APPLICANT FLIPAGRAM, INC.'S COUNTERCLAIM AND SIXTH AND SEVENTH AFFIRMATIVE DEFENSES on the parties in said action by depositing a true copy thereof with the United States Postal Service as first class mail, postage prepaid, at Seattle, Washington, enclosed in a sealed envelope addressed as follows:

Thomas A. Harvey
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Dated: October 26, 2016

By: 
Jessica Wilson