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

Proceeding	92058635
Party	Plaintiff Diana Karren and Charles Karren
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The primary purpose of pleadings under the Federal Rules of Civil Procedure is simply to give fair notice of the claims or defenses asserted. *See* TBMP § 506.01. Accordingly, the Board, in its discretion, may decline to strike even objectionable affirmative defenses where their inclusion will not prejudice the adverse party and will provide fuller notice of the basis for a claim or defense. TBMP § 506.01; *Ohio State University v. Ohio University*, 51 USPQ2d 1289, 1292 (TTAB 1999); *Order of Sons of Italy in America v. Profumi Fratelli Nostra AG*, 36 USPQ2d 1221, 1223 (TTAB 1995) (affirmative defense was an amplification of applicant's denial of opposer's claims); *Harsco Corp.*, 9 USPQ2d at 1571 (reasonable latitude in notice pleading permitted); *FRA S.P.A.*, 194 USPQ at 46. Furthermore, an affirmative defense will not be stricken as insufficient if the insufficiency is not clearly apparent, or if it raises issues that should be determined on the merits. TBMP § 506.01 (citing C. Wright & A. Miller, 5C Federal Practice and Procedure Civil 3d § 1381 (2012)).

Accordingly, to succeed on its motion to strike Petitioners' affirmative defenses, Registrant must prove that the allegations being challenged are (1) insufficient, (2) clearly have no bearing upon the issues in the case, and (3) inclusion of the affirmative defenses will prejudice Registrant. *See Harsco Corp.*, 9 USPQ2d at 1571; *see also*, TBMP § 506.01.

B. Petitioners' Affirmative Defenses are Sufficient and Relate to Issues in this Case.

1. Failure to State a Claim upon which Relief Can be Granted.

Because Registrant fails to adequately allege a claim for abandonment resulting from naked licensing, Petitioners' affirmative defense of failure to state a claim upon which relief may be granted is sufficient, and Registrant's motion to strike this defense must be denied.¹

¹ It bears noting that most of the cases cited in Registrant's motion are from federal courts outside of the Federal Circuit whose decisions have not been reported in the United States Patents Quarterly, and which are non-binding upon the Board. Curiously, Registrant has also cited expressly non-precedential and unpublished decisions from the Board, *Veles Int'l Inc. v. Ringing Cedars Press LLC*, (TTAB June 2, 2008) and *Activision Publ'g, Inc. v. Oberon Media, Inc.* (TTAB Sept. 10, 2010). Petitioners respectfully submit that these two decisions, in particular, should not even be deemed instructive.

Registrant's counterclaims allege that "Petitioners did not control the quality of any wine made by Siduri Wines and labeled with Petitioners' trademark," and that "Petitioners did not control the quality of any wine made by the producer of the LYNMAR ESTATE wine and labeled with Petitioners' trademark." Registrant's Counterclaims, ¶¶ 9, 14. Registrant's counterclaims further allege that "[t]o the extent that third parties have used their trademark on wines made with grapes grown by Petitioners, they have not exercised any quality control over the wines made by those third parties." *Id.* at ¶ 15. Registrant's counterclaims then allege, under the heading "Claim 1 - Abandonment," that

[b]y failing to exercise meaningful quality control over the wine made from their grapes, Petitioners have engaged in naked licensing of their registered mark and the registration has therefore become abandoned.

Registrant's Counterclaims, ¶ 19.

In their Answer to Respondent's Counterclaims, Petitioners' allege as for their first affirmative defense that,

[t]he Counterclaims, and each paragraph thereof, taken individually or collectively, fail to state a claim upon which relief can be grounded, and fail to give legally sufficient grounds for granting cancellation of Petitioners' TERRA DE PROMISSIO trademark.

Petitioners' Answer to Counterclaims, Affirmative Defenses, ¶ 1.

Under 15 U.S.C. § 1127, a trademark may be abandoned "(2) [w]hen any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark" (emphasis added.) Accordingly, courts have required parties asserting claims of abandonment through naked licensing to allege and prove that "due to acts or omissions of the trademark owner, the incontestable mark has lost 'its significance as a mark.'" *See Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1079, 42 USPQ2d (BNA) 1417 (5th Cir. 1997) (quoting *Defiance Button Mach. Co. v. C & C Metal*

Products, 759 F.2d 1053, 1061-62, 225 USPQ (BNA) 797 (2d Cir. 1985)); *Westco Group, Inc. v. K.B. & Assocs.*, 128 F. Supp.2d 1082, 1090, 58 USPQ2d (BNA) 1068 (N.D. Ohio 2001); *Guiding Eyes For The Blind, Inc. v. Guide Dog Foundation For The Blind, Inc.*, 55 C.C.P.A. 701, 384 F.2d 1016, 155 USPQ (BNA) 462 (CCPA 1967) (“Under 15 USC 1127 it is necessary to establish that the conduct of appellee was such as to cause a loss in significance of its mark as an indication of origin”).

Registrant’s counterclaim for abandonment, however, fails to allege that Petitioners’ actions have caused the TERRA DE PROMISSIO trademark to lose its significance as a mark or otherwise serve as an indicator of origin. This is critical, as courts have found that a mark owner’s failure to exercise quality control does not necessarily result in a loss of trademark significance, and thus, abandonment. *Exxon Corp.*, 109 F.3d at 1079-80 (“if a trademark has not ceased to function as an indicator of origin there is no reason to believe that the public will be misled; under these circumstances, neither the express declaration of Congress’s intent in subsection 1127(2) nor the corollary policy considerations which underlie the doctrine of naked licensing warrant a finding that trademark owner has forfeited his rights in the mark”). Consequently, since Registrant has failed to state a claim for abandonment resulting from naked licensing,² Petitioners’ defense is therefore sufficiently pled and related to an issue that should be

² Registrant’s counterclaim denominated as “Claim 2 – Void Registration” also fails to state a claim upon which relief can be granted. This counterclaim (¶¶ 20-25) alleges that Petitioners’ registration for its TERRE DE PROMISSIO mark is “void ab initio” because of alleged non-use by Petitioners of their mark on goods as of the date of their application and as of the date of their post-registration declarations, and due to lack of proper licensing agreements. Registrant, however, fails to cite to any specific statute, case, or other authority pursuant to which it is asserting this counterclaim, thereby failing to provide adequate notice to Petitioners. Therefore, at a minimum, this affirmative defense bears upon the issues in the case, but more likely, this counterclaim fails to state a claim as alleged by Petitioners.

decided, and Registrant's motion to strike as to Petitioners' first affirmative defense of failure to state a claim upon which relief can be granted should be denied.³

2. Standing.

Registrant also seeks to strike Petitioners' second affirmative defense that Registrant "lacks standing to seek cancellation of the TERRA DE PROMISSIO trademark in that, on information and belief, Registrant does not have a valid trademark or other rights, superior or otherwise, upon which its Counterclaims for cancellation may be premised." Petitioners' Answer to Counterclaims, Affirmative Defenses, ¶ 2. As to the affirmative defense of standing, Petitioners' respectfully submit that, pursuant to the rulings in *Harsco Corp.* and *Order of Sons of Italy in America, supra*, this is also a permitted amplification of the allegation in their Petition that Registrant intentionally (and therefore, wrongfully) obtained the registration of its mark using an incorrect translation of the term LA TERRE PROMISE that would not conflict with a previously registered mark, but now uses the correct, and conflicting, translation in the sales and marketing of products bearing this trademark. See Petition ¶¶ 6-8, 18-20. Moreover, this affirmative defense clearly bears upon the issues in this proceeding. *Harsco Corp.*, 9 USPQ2d at 1571; see also, TBMP § 506.01. For all of these reasons, Registrant's motion to strike the affirmative defense of standing should be denied.

3. Laches and Unclean Hands.

Registrant seeks to strike Petitioners' third affirmative defense that Registrant's counterclaims are "barred by the doctrines of laches and unclean hands." As to the affirmative

³ Registrant's counterclaim denominated as "Claim 3 – Limitation of Trade Channels (Section 18)" also fails to state a claim upon which relief can be granted. Paragraph 29 of Respondent's Counterclaims acknowledges Petitioners' allegation that the general public is likely to be confused by the existence of the parties' trademarks, and proposes that "[i]f the Board believes that confusion among the general public is likely, then under Section 18 of the Lanham Act Respondent would limit its registration to the following trade channel This would be an equitable limitation given the long co-existence between the two trademarks." Petitioners respectfully submit that this proposal for a limitation of trade channels, which would only be operative in the event the Board accepts Petitioners' claim of likelihood of confusion, is more akin to an answer or affirmative defense to Petitioners' claim for likelihood of confusion, is not a recognizable claim, and therefore fails to state a claim upon which relief can be granted pursuant to Fed. R. Civ. Proc. 12(b)(6).

defense of laches, this defense specifically relates to, and amplifies, the allegations in Petitioners' Answer that they are the owners of Registration No. 3,358,681 for wine, "have claimed priority of use," and that they applied to register their TERRA DE PROMISSIO trademark under Section 1(a) of the Lanham Act on March 5, 2007. See Petitioners' Answer to Counterclaims, ¶¶ 2, 3, and 7. Accordingly, the Petitioners' affirmative defense of laches is an acceptable pleading in that it is an amplification of Petitioners' denial of Registrant's counterclaims. *Order of Sons of Italy in America*, 36 USPQ2d at 1223 (TTAB 1995) (affirmative defense was an amplification of applicant's denial of opposer's claims); *Harsco Corp.*, 9 USPQ2d at 1571.

As to the affirmative defense of unclean hands, Petitioners' respectfully submit that, pursuant to the rulings in *Harsco Corp.* and *Order of Sons of Italy in America*, *supra*, this is also a permitted amplification of the allegation in their Petition that Registrant intentionally obtained the registration of its mark using an incorrect translation of the term LA TERRE PROMISE that would not conflict with a previously registered mark, but now uses the correct, and conflicting, translation in the sales and marketing of products bearing this trademark. See Petition ¶¶ 6-8, 18-20. For all of these reasons, Petitioners respectfully request that Registrant's motion to strike the affirmative defenses of laches and unclean hands be denied.

C. Petitioners Should Be Granted Leave to Amend Their Answer.

Parties may amend their pleadings by leave of the Board, and leave must be freely given when justice so requires. See Fed. R. Civ. P. 15(a). The Board grants leave to amend the pleadings at any stage of the 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. *Boral Ltd. v. FMC Corp.*, 59 USPQ 1701 (TTAB 2001). Accordingly, if the Board finds that Petitioners' affirmative defenses are not pled with requisite particularity or are otherwise insufficient, Petitioners respectfully request leave to file an Amended Answer to Counterclaims.

CONCLUSION

For the reasons set forth herein, Petitioners Diana Karren and Charles Karren respectfully request that Registrant's Motion to Strike Affirmative Defenses be denied in its entirety, and to the extent that the Board finds that Petitioners' affirmative defenses are not pled with requisite particularity or are otherwise insufficient, that Petitioners be given leave to file an Amended Answer to Counterclaims with affirmative defenses.

Dated: July 17, 2014
Santa Rosa, California

Respectfully submitted,

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

In the Matter of Registration No. 3,613,730
Registered on April 28, 2009

PROOF OF SERVICE

I am employed in the County of Sonoma; I am over the age of eighteen (18) years and not a party to the within entitled action; my business address is 100 B Street, Suite 400, Santa Rosa, California 95401.

I hereby certify that a true and complete copy of the foregoing **PETITIONERS' OPPOSITION TO MOTION TO STRIKE AFFIRMATIVE DEFENSES** has been served on the attorneys of record for Registrant by mailing said copy on July 17, 2014, via First-Class Mail, postage prepaid to:

Paul W Reidl
Law Office of Paul W. Reidl
241 Eagle Trace Drive
Half Moon Bay, CA 94019

Executed on July 17, 2014, at Santa Rosa, California.

/Linda H. Siskind/
Linda H. Siskind