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

Proceeding	92058635
Party	Defendant Domaine Carneros, Ltd.
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1 **BEFORE THE UNITED STATES PATENT AND TRADEMARK OFFICE**
2 **TRADEMARK TRIAL AND APPEAL BOARD**

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4 Registration No. 3,613,730

5 Mark: LA TERRE PROMISE

6 Class: 33

7 _____)
8 **DIANA AND CHARLES KARREN,**)

9 Petitioners,)

10 v.)

11 **DOMAINE CARNEROS LTD.,**)

12 Respondent.)

Cancellation No: 92058635

**RESPONDENT’S REPLY ON
MOTION TO STRIKE
AFFIRMATIVE DEFENSES**

13 Respondent submits this reply to Petitioner’s opposition memorandum.

14 **AFFIRMATIVE DEFENSES**

15 The most recent case cited by Petitioner is dated 1999. But 18 years later the Supreme
16 Court of the United States clarified the law on the requirements of a proper pleading under Rule
17 8. In *Ashcroft* and *Twombly*, the Supreme Court held that fair notice requires that the pleading
18 party plead enough facts to make the claim plausible. (Resp. Mem. 1:21-2:4)(Docket No. 10).
19 While it is true that these Supreme Court decisions were not published in the USPQ, they are
20 nonetheless binding on the Board. *See* 37 C.F.R. § 2.116 (a); *Multisorb Technology Inc. v.*
21 *Pactiv Corp.*, 109 U.S.P.Q.2d 1170 (TTAB 2013)(the Board follows federal practice when
22 deciding procedural issues). And, in fact, as reflected in TBMP the Board has embraced these
23 holdings and required that “[t]he elements of a defense should be stated simply, concisely, and
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1 directly. However, the pleading should include enough detail to give the plaintiff fair notice of
2 the basis of the defense.” TBMP § 311.02 (b); *see Caymus Vineyards v. Caymus Medical, Inc.*,
3 107 U.S.P.Q.2d 1519 (TTAB 2013) (applying *Ashcroft* and *Twombly*).

4 Having ignored contemporary authority, Petitioner then proffers a strawman argument. It
5 argues that a pleaded affirmative defense should not be stricken unless it has no bearing on the
6 issues in the case and its inclusion will cause prejudice to the Respondent. (Opp. Mem. at
7 2)(Docket No. 11). Petitioner then knocks down that strawman by arguing relevance and lack of
8 prejudice. (Id. at 5-6).

9 These are not the proper questions on this motion. The proper question is the adequacy
10 of the pleading; whether there are sufficient facts pleaded to give the Petitioner “fair notice” of
11 the basis for the defenses such that the Board could determine they are plausible. Here, there are
12 no facts pleaded at all – the entirety of the laches and unclean hands defense is: “Registrant’s
13 Counterclaims are barred by the doctrines of laches and unclean hands.” That is not a proper
14 pleading under the authorities cited in Respondent’s memorandum.

15 As for the “failure to state a claim” and the “lack of standing” defenses, Petitioner simply
16 ignores the well-settled law that these are not affirmative defenses; they are denials of the claims.
17 (Resp. Mem. at 3:11-4:9)(Docket No. 10). In addition, in the case of the laches defense it is
18 wildly implausible under the facts (id. at 4:16-23) and in the case of the unclean hands defense
19 the Rule 9 pleading requirements apply because it sounds in fraud (id. at 5:8-19). Petitioner’s
20 opposition memorandum does not address either argument.

21 Finally, Petitioner asserts that its one word defenses are “an amplification of Petitioner’s
22 denial of Registrant’s counterclaims.” (Opp. Mem. at 5-6)(Docket No. 11). This is simply
23 lawyer’s argument *because denials are not pleaded facts*. On the face of this pleading there is
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1 no **pleaded** factual basis on which the Board could conclude that the laches and unclean hands
2 defenses are plausible and, therefore, that they provide “fair notice” to Respondent. Petitioner’s
3 counsel may have various arguments in mind for the defenses, but counsel’s private intentions do
4 not constitute proper pleading under *Ashcroft* and *Twombly*.

5 **FAILURE TO STATE A CLAIM**

6 In its opposition memorandum, Petitioner converts its asserted defense into a Rule 12
7 (b)(6) motion for failure to state a claim on which relief can be granted. Such a motion is
8 untimely and has been waived because Petitioner has already answered. Fed. R. Civ. P. 12 (b)(6);
9 *see Motion Picture Ass'n of America Inc. v. Respect Sportswear Inc.*, 83 U.S.P.Q.2d 1555, 1557
10 n.5 (TTAB 2007). It also fails for the same reason as the laches and unclean hands defenses;
11 there are no pleaded facts to make it plausible.

12 Again, Petitioner sets up, and knocks down, strawmen arguments. It argues that the
13 alleged abandonment claim and the void ab initio claims are legally deficient, the former because
14 there is no allegation that Petitioner’s trademark has lost its trademark significance and the latter
15 because Respondent did not cite any case law support for the argument. (Opp. Mem. at 3-
16 4)(Docket No. 11).

17 On a motion to dismiss, all pleaded facts must be assumed to be true and all doubts must
18 be resolved in favor of the pleading party. *See Walker v. Schult*, 717 F.3d 119, 124 (2d Cir.
19 2013); *Wilson v. Merrill Lynch & Co., Inc.*, 671 F.3d 120, 128 (2d Cir. 2011). It is a test of the
20 pleadings, and under *Ashcroft* and *Twombly* a pleader is only required to state a plausible claim.
21 *Caymus Vineyards v. Caymus Medical, Inc.*, 107 U.S.P.Q.2d 1519 (TTAB 2013) (citing *Ashcroft*
22 and *Twombly*). Here, Respondent pleads detailed facts supporting each claim. (Resp. Mem. at
23 1:15-21)(Docket No. 10). These are more than ample to make the claims “plausible.”
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1 Petitioner’s argument that the naked licensing claim does not give fair notice because it
2 does not plead “the “loss of trademark significance” misses the mark. The pleading discloses
3 sufficient facts from which the Board could find a plausible claim of naked licensing, and that
4 provides fair notice to the Petitioner. A “loss of trademark significance” is the **legal**
5 **consequence** of the absence of meaningful quality control. Whether Respondent must
6 affirmatively prove that by a survey or other evidence, or whether it is presumed, is a question
7 for trial and in no way diminishes the adequacy of the pleading and the notice provided by it to
8 Petitioner. The majority of the Circuits seem to believe that proving the absence of quality
9 control is sufficient to prove abandonment by naked licensing. *See Freecycle Sunnyvale v.*
10 *Freecycle Network*, 626 F.3d 509 (9th Cir. 2010); *MT North America, Inc. v. Magic Touch*
11 *GmbH*, 124 F. 3d 876 (7th Cir. 1997); *Stanfield v. Osborne Indus., Inc.*, 52 F.3d 867 (10th Cir.
12 1995). The fact that the Fifth Circuit suggested otherwise in the *Exxon* case does not render the
13 pleading inadequate.¹

14 As for a mark being void ab initio, the authorities are legion that this would be the
15 outcome if the mark was not in use at the time the applicant (or declarant in the Section 8 filing)
16 says it was in use. *See, e.g., ShutEmDown Sports, Inc. v. Carl Dean Lacy*, 102 U.S.P.Q.2d 1036
17 (TTAB 2012).

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20 ¹ The *Exxon* case cited by Petitioner involved the unique situation where the defendant
21 claimed that “phase out” licenses in settlement of trademark enforcement actions constituted a
22 pattern of conduct without quality control that constituted abandonment of the mark. In other
23 cases, the Fifth Circuit has not required proof of a loss of single source significance. *See, e.g.,*
24 *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir. 1992). Neither the Second Circuit
nor the CCPA decision cited by Petitioner even concerned a licensing agreement and are
therefore inapplicable.

1 Finally, as for the Section 18 claim, this is not an affirmative defense because it does not
2 excuse liability.² Rather, it states that if there is some form of liability then Respondent should
3 nonetheless be permitted to continue to register its mark in a limited trade channel where there is
4 no likely confusion. This is properly pleaded as a Counterclaim. *See IdeasOne, Inc. v.*
5 *Nationwide Better Health, Inc.*, 89 U.S.P.Q. 2d 1952 (TTAB 2009)(considering a Section 18
6 claim).

7 **LEAVE TO AMEND**

8 Petitioner should not be permitted to replead the failure to state a claim and standing
9 defenses because they are not defenses. It should not be permitted to amend the other defenses
10 because it has not provided any indication of how amendment could cure the deficiencies in
11 them. *See, e.g., City of Pontiac Policemen's & Fireman's Ret. Sys 15 v. UBS AG*, 752
12 F.3d 173, 188 n.71 (2d Cir. 2014); *Porat v. Lincoln Towers Cmty. Ass'n*, 464 F.3d 274, 276 (2d
13 Cir. 2006).

14 For the reasons discussed in the opening memorandum at 4:16-23, the laches defense is
15 implausible because Respondent did not have a claim until the Petition was filed. As a matter of
16 law, filing a timely response to a Petition cannot constitute laches because that is the time
17 allotted by the Board's rules to assert that defense. *See Panda Travel, Inc. v. Resort Option*
18 *Enterprises, Inc.*, 94 U.S.P.Q.2d 1789, 1797 (TTAB 2009)(filing a pleading within the time
19 allotted by the rules and scheduling order cannot be deemed to be an unreasonable delay);
20 *Callaway Vineyard & Winery v. Endsley Capital Group Inc.*, 63 U.S.P.Q.2d 1919, 1923 (TTAB

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22 ² An affirmative defense is "[a] defendant's assertion of facts and arguments that, if true,
23 will defeat the plaintiff's or prosecution's claim, even if all the allegations in the complaint are
24 true." Black's Law Dictionary (8th ed. 2004), online at
<http://intranetsolutions.westlaw.com/custom/blacks/>

1 2002)(same). If the Board permits Petitioner to attempt to replead an unclean hands defense, it
2 should caution Petitioner that the alleged misconduct must be strictly limited to Respondent's
3 trademark rights and the pleading should comply with Rule 9 standards if it sounds in fraud.³
4 (Resp. Mem. at 5:1-19)(Docket No. 10); *see Tony Lama Company, Inc. v. Anthony Di Stefano*,
5 206 U.S.P.Q. 176, 179 (TTAB 1980)(the misconduct must be related to the claims at issue); *see*
6 *also Warner Bros. Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 334 (2d Cir. 1983)("the defense of
7 unclean hands applies only with respect to the right in suit"); *Republic Molding Corp. v. B.W.*
8 *Photo Util.*, 319 F.2d 347, 349-50 (9th Cir. 1963)("What is material is not that the plaintiff's
9 hands are dirty, but that he dirtied them in acquiring the right he now asserts.")

10 CONCLUSION

11 Petitioner has ignored the arguments made in Respondent's opening memorandum, and
12 has set up and knocked down strawmen arguments. The motion should be granted.

13 Respectfully submitted,

14 **LAW OFFICE OF PAUL W. REIDL**

15 By: /s/ /Paul W. Reidl/

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17 Dated: July 22, 2014

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³ Similarly, an unclean hands defense cannot be based on settlement discussions. These
are inadmissible pursuant to Fed. R. Evid. 408 and, therefore, amending the Answer to replead
such a defense would be futile because all of the evidence supporting it would be inadmissible.
See Commodore Electronics Ltd. v. CBM Kabushiki Kaisha, 26 U.S.P.Q. 2d 1503 (TTAB
1993)(futility); *Fiberglass Insulators, Inc. v. Dupuy*, 856 F.2d 652 (2d Cir. 1988)(settlement
discussions inadmissible.)

