

ESTTA Tracking number: **ESTTA168006**

Filing date: **10/11/2007**

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

Proceeding	91152145
Party	Defendant WAL-MART STORES, INC.
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Date	10/11/2007
Attachments	Wal-Mart - Brief in Response to Loufrani's Motion to Amend Pleadings.pdf (12 pages)(477492 bytes)



As discussed below, Loufrani's request is wholly without merit and its acceptance would create manifest unfairness and undue prejudice to Wal-Mart because:

(a) the additional ground against the registration of Wal-Mart's Mark was not stated in Loufrani's Notice of Opposition or otherwise made known to Wal-Mart during the discovery and testimony phases of this proceeding;

(b) the evidence relied upon by Loufrani in his argument that Wal-Mart was on notice of the "failure to police" argument was clearly adduced to support Loufrani's flawed argument that Wal-Mart's Mark is an unregistrable "icon" because of third-party use and not for the purpose of legitimizing Loufrani's last ditch effort to raise a "failure to police" argument *i.e.*, Wal-Mart was afforded no notice of a "failure to police" challenge via evidence of non-infringing third-party uses submitted by Loufrani;

(c) the evidence relied upon by Loufrani as demonstrating consent on the part of Wal-Mart to the litigation of the "failure to police" argument actually shows nothing of the kind, but rather supports Wal-Mart's claims that, despite numerous third-party non-infringing uses, Wal-Mart has clearly established secondary meaning in the mark specifically for its retail department store services, *i.e.*, not only was there no notice of Loufrani's additional pleading, but the evidence relied upon by Loufrani as support is insufficient to even form a basis for the new "failure to police" argument;

(d) Loufrani has not introduced evidence that any third-party use of the smiley face for other products or services infringes Wal-Mart's Mark, in its limited use with retail department store services, and would therefore require enforcement action on the part of Wal-Mart; and

(e) the severe and undue prejudice that would be forced upon Wal-Mart if Loufrani's belated "failure to police" argument, if the Board were to accept it, would be patently unfair and not in keeping with applicable procedure and precedent.

II. Pertinent Legal Standards

A Notice of Opposition may be amended only upon leave of the Board or in order to conform the pleadings to evidence. FED. R. CIV. P. 15. Such leave should be "given when justice so requires." *Id.* However, in exercising its discretion, the Board must consider such factors as "undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, [and] futility of amendment." *Forman v. Davis*, 371 U.S. 178, 182 (1962); *Duzich v. Advantage Fin. Corp.*, 395 F.3d 527, 531 (5th Cir. 2004) (district court did not abuse its discretion in denying leave to amend when amendment would have been futile). Federal Courts have observed that "leave to amend is by no means automatic" and the circumstances and terms upon which such leave is to be given is committed "to the informed, careful judgment and discretion of the Trial Judge." *Layfield v. Bill Heard Chevrolet Co.*, 607 F.2d 1097, 1099 (5th Cir. 1979); *see also Freeman v. Continental Gin Co.*, 381 F.2d 459, 468 (5th Cir. 1967).

"The timing of the motion for leave to amend is a major factor in determining whether applicant would be prejudiced by allowance of the proposed amendment." *See International Finance Corp. v. Bravo Co.*, 64 U.S.P.Q.2d 1597, 1604 (T.T.A.B. 2002) (*citing* TBMP §507.02). Furthermore, "a motion for leave to amend should be filed *as soon as any ground for such amendment becomes apparent*. Any party who delays filing a motion for leave to amend its pleading and, in so delaying, causes prejudice to its adversary, is acting contrary to the spirit of Rule 15(a) and risks denial of that motion." *Id.* (*citing* Wright, Miller and Kane, FEDERAL PRACTICE AND PROCEDURE: CIVIL 2D, Section 1488 (1990);

Chapman, TIPS FROM THE TTAB: AMENDING PLEADINGS: THE RIGHT STUFF, 81 Trademark Reporter 302, 307 (1991)).

Fed. R. Civ. P. 15(b) provides, in pertinent part, that “when issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings.” Because an amendment under Rule 15(b) may be extremely prejudicial in the absence of the express or implied consent of the defending party, fair notice of the claim must be clearly established. See *P.A.B. Produits et. Appareils de Beaute v. Satinine Societa In Nome Colle tivo di S.A. e. M. Usellini*, 570 F.2d 328, 196 USPQ 801 (CCPA 1978). Moreover, implied consent can only be found where the non-moving party: (1) raised no objection to the introduction of evidence on the issue; and (2) was fairly apprised that the evidence was being offered in support of the issue. See TBMP §507.03; also *Unsworth Transport Int’l, Inc. v. UTI Worldwide, Inc.*, 2005 T.T.A.B. LEXIS 35 (T.T.A.B. January 26, 2005).

III. Pertinent Procedural History; Loufrani’s Inappropriate and Unexplained Delay

These opposition proceedings have been pending since May 22, 2002. Prior to April 14, 2006, there had been no claims, in Loufrani’s Notice of Opposition or otherwise, that Wal-Mart had failed to police its mark. On April 14, 2006, a month after the close of the testimony period, Loufrani first asserted claims that Wal-Mart had failed to police its mark in his Trial Brief as Plaintiff in Opposition. Loufrani’s Trial Br. as Plaintiff in Opp. at 10. Loufrani had ample opportunity prior to that submission to make a motion to amend the pleadings and, concurrently, afford Wal-Mart with an opportunity to seek discovery on the basis and alleged *bona fides* of Loufrani’s claim. Although the notice of opposition may be amended to conform to the evidence, an amendment will not be allowed if the amendment would be unduly prejudicial to the defendant. FED. R. CIV. P. 15(B). As noted above, courts have often found undue prejudice when the defendant does not have opportunity to engage in discovery or other fact-finding processes. See *Wright Line Inc.*, 229 U.S.P.Q. at FN.4.

Wal-Mart objected to Loufrani's claims as being untimely in its Reply Brief as Defendant in Opposition. Wal-Mart's Reply Br. as Defendant in Opp. at 18-19. On September 26, 2007, Loufrani filed a Rebuttal Brief as Plaintiff in Opposition, which included a motion to amend the opposition pleadings to conform to the evidence. Loufrani's Rebuttal Br. as Plaintiff in Opp. at 13. Therefore, rather than file a motion to amend the pleadings during the discovery or testimonial period, Loufrani delayed his request to amend the pleadings until the opposition proceedings were ready to be briefed, well after completion of the discovery and testimony periods.

In his request, Loufrani does not address his egregious delay or provide the Board with an adequate reason for his delay. As shown below, there is no adequate reason for Loufrani's delay nor is there any basis for the statement that any claims related to Wal-Mart's enforcement of its mark were tried by implied consent. Furthermore, inasmuch as the information upon which Loufrani bases his claim that Wal-Mart failed to police its mark appears to have been available to Loufrani for several years, Loufrani should have long since sought to amend his pleadings. *See* FED. R. CIV. P. 15(A); TBMP §507.02(a) (2d ed. rev. 2004); *see also* T.T.A.B. order issued July 21, 2007 in Opposition Nos. 91/150,278 and 91/154,632 (denying Wal-Mart's motion to amend its pleadings to include the ground that Loufrani lacked a *bona fide* intent to use his mark in commerce).

IV. Despite Loufrani's Assertions To The Contrary, The Notice Of Opposition Did Not Provide Notice Of Loufrani's Alleged Intention To Claim That Wal-Mart Failed To Police Its Mark.

In a trademark opposition proceeding, "[t]he opposer is bound by the grounds pleaded in its notice of opposition. Neither administrative tribunals nor the courts will consider grounds not raised in the notice of opposition." *McCarthy on Trademarks* §20:24 (citing *Midland Int'l Corp. v. Midland Cooperatives, Inc.*, 434 F.2d 1399, 168 U.S.P.Q. 107 (C.C.P.A. 1970); *Robert Hall Clothes, Inc. v. Studds*, 286 F.2d 615, 128 U.S.P.Q. 542 9C.C.P.A. 1961)). Loufrani cites *McCarthy on Trademarks* for the proposition that "[t]he purpose of pleading is to apprise a party by fair notice of the case it has to meet." *McCarthy on Trademarks* §20:24. Wal-Mart agrees with Loufrani's assertion that pleading is not

a game, but Wal-Mart wholly disagrees with Loufrani's disingenuous gamesmanship in attempting to twist the language of the Notice of Opposition to include a challenge of Wal-Mart's Mark on the a "failure to police" challenge.

Loufrani argues that his motion is based on the fact that Wal-Mart was appropriately apprised of the issue in the "plain language of the Opposition with its incorporated exhibits." *See* Loufrani's Rebuttal Br. as Plaintiff in Opp. at p. 12. However, Loufrani's Notice of Opposition makes no claims regarding, or otherwise references, Wal-Mart's alleged "failure to police" its mark against objectionable third-party use. *See* Opposition 91/152,145 filed on May 22, 2002. Notably, the portion of the Notice of Opposition upon which Loufrani seeks to rely alleges that:

Based on the evidence attached at Exhibit B hereto, the U.S. Patent and Trademark Office determined that the Happy Face Design element in opposer's Serial No. 75/977,376 does not serve any trademark function under Trademark Act Sections 1, 2, and 45, 15 U.S.C. Sections 1051, 1052 and 1127."

Loufrani claims that the above-quoted portion of the Notice of Opposition (Paragraph 6) placed Wal-Mart on notice of the issue of enforcement by virtue of the claim that Wal-Mart's Mark failed to "serve any trademark function under Trademark Act Sections 1, 2 and 45." *Id.* However, Loufrani's assertion of a failure to function under Trademark Act Sections 1, 2 and 45 does not constitute sufficient notice regarding a claim of abandonment by virtue of a "failure to police." Instead, Loufrani's evidence of third party use was, as was apparent from the Notice, for the purpose of bolstering his plainly stated (*albeit* meritless and fatally flawed) claim that third-party use of the smiley face for other purposes caused it to be a ubiquitous icon incapable, under any circumstances whatsoever, of having secondary meaning for a specific product or service. *See* Loufrani's Trial Br. as Plaintiff in Opp. at 1; *see also* Loufrani's Rebuttal Br. as Plaintiff in Opp. at 1.

In short, Loufrani may not try to remedy the omission in his Notice of Opposition by converting one ground of opposition into another so as to ambush and prejudice Wal-Mart. Otherwise, a general challenge to trademark status under Trademark Act Sections 1, 2 and 45 could be read as an overall challenge including every conceivable basis to challenge a mark – from genericness to abandonment or naked licensing. *See Levi Strauss & Co. v. R. Josephs Sportswear, Inc.*, 36 U.S.P.Q.2d (BNA) 1328 (T.T.A.B. 1994) (the TTAB found that “[a]lthough the purpose of notice pleading is to obviate the need to allege particular “magic words,” the pleading must give the defendant fair notice of the ground alleged.”)

V. The “Failure to Police” Argument Was Not Knowingly Tried By The Parties and The Pleadings Should Not be Amended Under The Doctrine of Implied Consent.

Rule 15(b) of the Federal Rules of Civil Procedure provides that “when issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings.” FED. R. CIV. P. 15(B). TBMP Section 507.03(b) (2d ed. rev. 2004) provides in relevant portion that (footnotes omitted; emphasis supplied):

Implied consent to the trial of an unpleaded issue can be found only where the nonoffering party (1) raised no objection to the introduction of evidence on the issue, and (2) was fairly apprised that the evidence was being offered in support of the issue.

Wal-Mart timely objected to Loufrani’s belated attempt to introduce a “failure to police” challenge and, as the evidence now relied on by Loufrani was clearly gathered for the purpose of supporting his argument (*albeit* flawed) that the mark could not acquire any secondary meaning, there was no notice to Wal-Mart that Loufrani was attempting to develop a new and distinct “failure to police” argument.

A. Wal-Mart Timely Objected to Loufrani’s “Failure To Police” Allegation

Wal-Mart has timely objected to Loufrani’s belated attempt to interject a “failure to police” argument into the proceedings. First, Wal-Mart’s counsel objected to the line of questioning requesting

that David Troy Steiner, then Senior Media Director for Wal-Mart, address Wal-Mart's views regarding the hypothetical enforcement of use of a "smiley face design" on grocery bags. Steiner Tr. 38. Moreover, Wal-Mart opposed Loufrani's attempt to raise the "failure to police" argument in his Trial Brief as Plaintiff. See Wal-Mart's Reply Br. as Defendant in Opp. at 22. Specifically, Wal-Mart noted that Loufrani had not moved to amend the pleadings as required under Fed. R. Civ. P. 15(a) or (b) and that the "failure to police" argument was outside the scope of the pleadings. *Id.* Loufrani cannot now use Wal-Mart's opposition to the "failure to police" argument contained in Loufrani's Reply Brief as Plaintiff to support a claim of implied consent. Wal-Mart's objections were made to prevent the untimely interjection of Loufrani's "failure to police" argument in contravention of the Federal Rules and were not made to address the merits of Loufrani's claims. Any arguments in the alternative were made to more firmly establish the inappropriate nature of Loufrani's unpleaded claims that Wal-Mart effectively abandoned its mark. As clearly stated in its Rebuttal Brief, Wal-Mart will be unduly prejudiced should the Board amend the pleadings.

B. The Evidence Relied On By Loufrani Cannot Be Characterized As Supporting A "Failure To Police" Claim; There Was No Notice That This Was Loufrani's As-Yet Unspoken Intention

Loufrani cannot say, based on the questions raised during the deposition and testimonial phases of these proceedings as to third-party use of the "smiley-face design," that Wal-Mart was aware that the issue of "failure to police" had advanced and been tried. Nothing was asked as to third-party use of the "smiley face design" that would have suggested that Wal-Mart's behavior with respect to the enforcement of its mark was being questioned beyond the context of the pleaded ground that Wal-Mart's Mark fails to function under Trademark Act Sections 1, 2 and 45. Particularly telling is the fact that nowhere does Loufrani ever try to establish that the third-party use is infringing and, therefore, an appropriate subject for Wal-Mart enforcement efforts.

Notably, Loufrani conducted no discovery on its alleged "failure to police" argument, but if it had, Wal-Mart would have been given a full opportunity to present evidence bearing on Wal-Mart's

enforcement policies and the policing of its mark. In fact, when asked a hypothetical question by Loufrani's counsel (the question nonetheless being objected to by Wal-Mart's counsel), David Troy Steiner, then Senior Media Director for Wal-Mart, stated that Wal-Mart would enforce its mark in appropriate circumstances. *See* Steiner Tr. 38. Therefore, Loufrani's attempt to rely on Mr. Steiner's testimony not only fails as a basis for the alleged notice to Wal-Mart that Loufrani was developing a failure to police argument, it directly contradicts the underlying premise for Loufrani's attempted amendment of the pleadings to include a failure to police argument. Again, nowhere does Loufrani allege or provide any evidence that any specific third-party use infringes Wal-Mart's Mark for retail department store services in International Class 35.

VI. Loufrani's Motion Should Be Denied As Untimely And Because It Would Result In Undue Prejudice To Wal-Mart.

To allow an amendment to the pleadings at this late date would, in effect, prevent Wal-Mart from putting in a full defense against claims that it abandoned its mark.¹ *See Micro Motion, Inc. v. Danfoss A/S*, 49 U.S.P.Q.2d 1628 (T.T.A.B. 1998) (Board denied opposer's motion to amend the pleadings to conform to the evidence, finding that the issue of descriptiveness had not been tried by implied consent where the evidence could easily relate to the pleaded issue of genericness); *see also The Black & Decker Corp. v. Emerson Electric Co.*, U.S.P.Q.2d 2007 T.T.A.B. LEXIS 50 (T.T.A.B. March 23, 2007) (Board denied opposer's motion to amend the pleadings, finding that the parties were unaware that the issue of *bona fide* intent was being tried).

Loufrani waited until well after the close of discovery and testimony and, more egregiously, until his Reply Brief as Plaintiff in Opposition before motioning to amend the pleadings to conform to the

¹ Wal-Mart notes that the Board made a similar determination in its refusal to allow Wal-Mart to amend its Notice of Opposition (Opposition Nos. 91/150,278 and 91/154,632) to include the claim that Loufrani lacked a *bona fide* intent to use his mark in commerce. Wal-Mart respectfully submits that the "failure to police" argument has not been tried by implied consent and requests that Loufrani's motion to amend the pleadings be denied as it would be "patently unfair." *See* T.T.A.B. order denying Wal-Mart's motion to amend the pleadings in Opposition Nos. 91/150,278 and 91/154,632 (July 21, 2007).

evidence. The Board should deny the motion as being untimely because it would result in patently unfair, undue prejudice to Wal-Mart. *See International Finance Corp.*, 64 U.S.P.Q.2d at 1604 (“Any party who delays filing a motion for leave to amend its pleading and, in so delaying, causes prejudice to its adversary, is acting contrary to the spirit of Rule 15(a)”).

If the motion is granted, Wal-Mart will clearly suffer undue prejudice. This Board has found that when a party has not had any opportunity to conduct discovery and has made decisions regarding the testimonial period based upon the active pleadings, then the non-movant will suffer undue prejudice by the amendment. *See Wright Line Inc.*, 229 U.S.P.Q. at FN.4 (“Moreover, it is clear that applicant, which had no opportunity to take discovery on the issue of descriptiveness, and which made its decision about whether to attend the taking of opposer’s depositions on the basis of the issues pleaded, would be substantially prejudiced by allowance of the proposed amendment to add the issue of descriptiveness to opposer’s pleadings.”) Although the burden is clearly on Loufrani (and he has not met it) to show any actual instances where Wal-Mart did not move against an infringer, Loufrani’s delay denied Wal-Mart the opportunity fully address the claim and offer full evidence regarding Wal-Mart’s enforcement policies and efforts. Consequently, Wal-Mart would be unduly prejudiced by the allowance of this amendment.

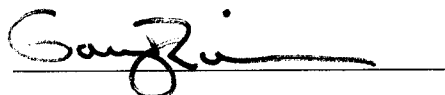
VII. Conclusion

Loufrani’s motion to amend the pleadings to conform to the evidence is untimely and will only result in patent unfairness and undue prejudice to Wal-Mart. Loufrani waited until after the close of all testimony and even after his Trial Brief as Plaintiff in Opposition, before making a motion to the Board. Moreover, Loufrani has failed to show that the “failure to police” argument has been tried by Wal-Mart’s express or implied consent. In addition, Loufrani cannot even point to any instance where he has shown an infringing third party use that would be an appropriate subject for an enforcement action by Wal-Mart. If the Board has any doubt as to whether fair notice has been given on the issue, that doubt “should be

resolved in applicant's favor." *Collegetown Relocation, LLC (citing Oromeccanica, Inc. v. Ottmar Botzenhardt G.m.b.H & Co., 223 U.S.P.Q. 59 (T.T.A.B. 1983))*.

In light of the foregoing, Loufrani's motion to conform the pleadings to the evidence should be denied in its entirety.

Respectfully Submitted,
WAL-MART STORES, INC.

A handwritten signature in black ink, appearing to read "Gary Rinkerman", is written over a horizontal line.

Dated: October 11, 2007

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CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of October, 2007, a true and correct copy of the foregoing Request for Oral Hearing has been served by first-class mail, postage prepaid, on Steven L. Baron and Natalie A. Harris, counsel for Franklin Loufrani.

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