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

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|------------------------|---|
| Proceeding | 92058848 |
| Party | Plaintiff Guantanamera Cigar Co, Inc. |
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| Submission | Motion to Dismiss - Rule 12(b) |
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UNITED STATES PATENT AND TRADEMARK OFFICE
TRADEMARK TRIAL AND APPEAL BOARD

GUANTANAMERA CIGARS CO.

Petitioner,

Cancellation No.
92058848

v.

CORPORACION HABANOS, S.A.

Respondent.

**PETITIONER'S RENEWED MOTION TO DISMISS/MOTION FOR SUMMARY
JUDGMENT OF ALL COUNTERCLAIMS¹**

COMES NOW Petitioner Guantanamo Cigars Co. ("Petitioner" or "GCC") and pursuant to Federal Rules of Civil Procedure ("FRCP") 12(b)(6), files this Renewed Motion to Dismiss All Counterclaims filed by Corporacion Habanos, S.A. ("Habanos") for the following factual and legal reasons:

Habanos' Counterclaims Are Barred by Laches

Each of Habanos' counterclaims are barred by laches, waiver, and/or acquiescence due to Habanos' unexcusable long delay in asserting same. Dependent upon the Board's interpretation as to when the laches clock started ticking, at the very least Habanos could have voiced its objections

¹ The Board's September 8, 2014 Order stated that GCC's Motion to Dismiss filed on August 27, 2014 was premature because it had not filed an answer in which it asserted a defense of laches. GCC cited case law that stated that a motion to dismiss could be based upon laches in certain circumstances. GCC argued why those circumstances applied, but the Board did not address same in its Order. Further, the Board denied the motion to dismiss because GCC did not indicate that it had served its initial disclosures. GCC filed an Answer with the affirmative defense of laches, and a Notice of Service of Initial Disclosures today. The Initial Disclosures were served in July 2014. To the extent that the Board does not find the case law controlling regarding motion to dismiss based on laches, GCC requests that this motion be construed as a motion for summary judgment. Since this is renewed motion which provides the requested information outlined in the recent Order, GCC respectfully requests that the Board consider this matter as properly filed and pertinent to the issues currently before the Board.

to the subject registration **3,377,574** as of November 20, 2007 (the date of publication of the mark). As such, **nearly 7 years** have passed from the date in which Habanos could have first opposed or sought cancellation of this particular mark. It is further telling that Habanos never filed a cancellation against an identical mark for identical goods owned by the identical party filed as early June 16, 1997, published December 29, 1998, and registered on March 23, 1999 even though the existence of that registration was first cited by a Trademark Examiner **August 20, 2002** as a bar to registration to Habanos' application for "GUANTANAMERA" which is now the subject of this original Petition for Cancellation. See Composite Exhibit, pp. 20-26 (Office Actions).

Taking into account the fact that the original Registration No. 2,233,445 was a bar to Habanos' application, there exists a **nearly 16 year delay** from the publication date of that registration to the date of Habanos' cancellation of a nearly identical registration owned by the same parties (and thereafter owned by GCC by assignment). Habanos knew or should have known a very long time ago whether it should file a cancellation for whatever legal basis, including those alleged in its recent counterclaims.

In addition to the above, Habanos can not claim that it only became aware of Registration No. **3,377,574** during the pendency of this action for several other reasons. As

referenced in Habanos' counterclaim, the parties have been engaged in litigation over GUANTANAMERA since 2002. During the long tortured history of that litigation Habanos was aware of the subject Registration **3,377,574** and the predecessor Registration No. **2,233,445** yet did nothing to object or otherwise seek cancellation of either.

In an appeal of the Trademark Trial and Appeal Board's order sustaining Habanos opposition to Serial No. 76/256,068 brought before the United States District Court for the District of Columbia the Honorable Royce Lamberth granted "Plaintiff's Motion to Allow the Deposition of Augusto Lopez, Pedro Lopez, Eva Maria Lopez, Oliver Imports Spirits & Liquers, Inc." See Composite Exhibit, p.15. The Order allowed the depositions of the parties who were listed as the registrant of **3,377,574** registration (and the previous registration **2,233,445**). Id. Thus, at least as early as December 7, 2009 (and earlier) Habanos was aware of the existence of the subject registration and the predecessor registration in these legal filings. Id. Again, Habanos took no action to cancel the registration at that time.

For the Board's convenience, timelines for the subject registration and the predecessor registration are reproduced below:

The History of Registration No. 3,377,574 for GUANTANAMERA for use in connection with rum is as follows:

| | |
|-----------------------------|-------------------------------------|
| First Use Date: | December 1, 2004 |
| Application Date: | May 3, 2007 |
| Published for Opposition: | November 20, 2007-December 20, 2007 |
| Registration Date: | February 5, 2008 |
| Assigned to Petitioner on: | July 14, 2010 |
| Assignment Recorded on: | July 14, 2010 |
| Section 8 Affidavit Filed: | June 13, 2013 |
| Section 15 Affidavit Filed: | June 13, 2013 |

Prior to the issuance of the above registration, the original applicants also owned Federal Registration No. 2,233,445 for GUANTANAMERA for use in connection with rum.

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|-------------------------------|------------------------------------|
| Filing Basis: | 44(e) |
| Foreign Registration No.: | 83,166 |
| Foreign Registration Date: | April 15, 1996 |
| Foreign Expiration Date: | April 15, 2016 |
| Country of Foreign | Dominican Republic |
| Registration: | |
| Application Date: | June 16, 1997 |
| Published for Opposition: | December 29, 1998-January 29, 1999 |
| Registration Date: | March 23, 1999 |
| Cancelled for Failure to File | December 31, 2005 |
| Section 8 Affidavit: | |

See Composite Exhibit, pp. 1-14 for complete file history of each.

Based upon any of the timelines, it is clear that Habanos counterclaims are barred by laches.

MEMORANDUM OF LAW

Pursuant to Federal Rules of Civil Procedure ("FRCP") 12(b)(6) a party may move to dismiss a claim for failure to state a claim upon which relief can be granted. A defense of laches can be decided on a motion to dismiss under Rule

12(b)(6) where, as here, the elements of laches appear on the face of the complaint. Arclar Co. v. Gates, 17 F. Supp. 2d 818, 823 (S.D. Ill. 1998) (***"The defense of laches can be raised by a motion to dismiss if: (1) an unreasonable delay appears on the face of the pleading; (2) no sufficient excuse for delay appears or is pleaded; and (3) the motion specifically points out the defect."***); Credit Info. Sys., Inc. v. Employers Reinsurance Corp., No. 86 C 7196, 1987 WL 7824, at*1 (N.D. Ill. Mar. 9, 1987)(dismissing the case under Rule 12(b)(6) "[b]ecause the facts alleged in plaintiff's complaint are insufficient to sustain a cause of action in the face of a laches defense.")(emphasis added). All three of the Arclar elements are met here. GCC is herewith specifically pointing out the defect in Habanos' counterclaim pleadings that fail to provide any excuse for the unreasonable delay in pursuing the cancellation of GCC's registration.

The Law of Laches

Section 19 of the Trademark Act, 15 U.S.C. § 1069, provides that "[i]n all inter partes proceedings equitable defenses of laches, estoppel, and acquiescence, where applicable may be considered and applied." The defense is available against each of petitioner's pleaded grounds for relief. See Treadwell's Drifters, Inc. v. Marshak, 18 USPQ2d 1318, 1320-21 (TTAB 1990).

The elements of laches are (1) unreasonable delay in assertion of one's rights against another; and (2) material

prejudice to another attributable to that delay. Bridgestone/Firestone Research Inc. v. Automobile Club de L'Ouest de la France, 245 F.3d 1359, 58 USPQ2d 1460, 1462 (Fed. Cir. 2001).

A. Unreasonable Delay

In the context of this proceeding, laches begins to run from the time action could be taken against the registration of the involved mark, regardless of when use of the mark began.

Thus, laches begins to run no earlier than the date the involved mark was published for opposition, and no later than the issue date of the registration. National Cable Television Assoc., Inc. v. American Cinema Editors, Inc., 937 F.2d 1572, 19 USPQ2d 1424, 1431-32 (Fed. Cir. 1991). See Teledyne Technologies, Inc. v. Western Skyways, Inc., 78 USPQ2d 1203, 1210 (TTAB 2006), aff'd unpublished opinion, Appeal Nos. 2006-1366 and 1367 (Fed. Cir. Dec. 6, 2006).

A petitioner must be shown to have had actual knowledge or constructive notice of a registrant's trademark use to establish a date of notice from which a delay of laches can be measured. Teledyne Cancellation No. 92041265 at 21 (citing Loma Linda Food Co. v. Thomson & Taylor Spice Co., 279 F.2d 522, 126 USPQ 261 (CCPA 1960)).

Thus, as to the subject registration **3,377,574**, pursuant to the above case law, laches began to run no earlier than the date of publication, November 20, 2007,

and no later than the issue date of the registration, February 5, 2008.

However, because of the unique circumstances of this case, the Board should also consider the fact that Habanos took no action against the predecessor registration which they could have done at least as early as December 29, 1998 (the date of publication of the predecessor registration, and no later than the issue date of that registration March 23, 1999).

Further, the Board should consider the fact that as early as August 20, 2002 that the predecessor registration was cited by a Trademark Examiner against Habanos' application. Habanos took no action to seek to cancel the mark on any grounds. See Composite Exhibit, pp. 24-27. Specifically, on August 20, 2002, the Trademark Examiner initially refused registration of Habanos' application for GUANTANAMERA (which is now registered and subject to this Petition for Cancellation) based upon a likelihood of confusion with Registration No. 2,233,445 (the predecessor trademark which rights have now been assigned to Petitioner/Guantanamera Cigars Co.). Id. Thus, if Habanos truly believed that the mark was not suitable for registration then it should have sought cancellation of that mark at that time.

Exactly 10 years after the original citation to the predecessor registration for GUANTANAMERA for rum, on August 20, 2012, the Trademark Office issued an Office

Action and finally withdrew the bar to registration because that registration was deemed cancelled for failure to file a Section 8 Affidavit. Thus, under this analysis Habanos knew about the predecessor registration at least as early as the date of the original Office Action August 20, 2002, but did not take any action to seek cancellation of that registration.

In determining whether petitioner is guilty of laches, it must be shown that petitioner knew or should have known that it had a cause of action, yet did not act to assert or protect its rights. Bridgestone/Firestone Research, Inc. v. Automobile Club de L'Ouest de la France, 58 USPQ2d 1460, 1462 (Fed. Cir. 2001). The Board has held in at least two cases that a five-year period of time between the issuance of the registration and the filing of the petition for cancellation was unreasonable. Christian Broadcasting Network Inc. v. ABS-CBN Int'l, 84 USPQ2d 1560, 1572-73 (TTAB 2007); and Turner v. Hops Grill & Bar Inc., 52 USPQ2d 1310, 1312 (TTAB 1999) ("Because actual knowledge is not the appropriate measure, and the length of the delay is clearly substantial, petitioner's delay in objecting to respondent's registration is unreasonable.").

In the first scenario, Habanos knew or should have known that it had a cause of action, yet did not assert its rights, against the predecessor registration at least as early as August 20, 2002.

Nearly 16 years has passed since the predecessor

registration was published for opposition. See Composite Exhibit.

Over 15 years have passed since the predecessor registration issued. Id.

Over 12 years have passed since the Trademark Office first cited the predecessor registration as a barrier to Habanos' application. Id.

Nearly 7 years have passed since the subject registration was published for opposition. Id.

Over 6 years have passed since the subject registration issued. Id.

Nearly 5 years have passed since GCC sought to depose the owners of the predecessor registration and the subject registration in the District Court for the District of Columbia action. Id.

Over 4 years have passed since the subject registration was assigned to GCC. Id.

Based upon this long and excusable delay, it is clear that Habanos seeks to cancel Registration No. **3,377,574** only as a defensive matter and never had any interest in doing so for the reasons set forth in the cancellation. As set forth above, the registration history of the GUANTANAMERA mark for rum dates back to 1997. For a very long time, Habanos had actual and constructive knowledge of registrations for GUANTANAMERA for rum, yet never attempted to oppose or seek cancellation.

The equitable defense of laches exists for this

precise scenario, i.e., a party's inexcusable long delay. Habanos has no excuse for filing a cancellation now.

The Board should be guided by J.T. McCarthy, McCarthy on Trademarks and Unfair Competition, at § 20:76 "[t]he point is that laches is not an absolute time limit like a statute of limitations. It is an equitable defense measured by delay weighed against the resulting prejudice to registrant." Teledyne at 21. When all of the facts are weighed, Habanos' can not put forth a viable excuse for its delay.

B. Material Prejudice to GCC Attributable to Delay

It is understood that mere delay in asserting a trademark right (or as in this case cancellation) does not necessarily result in changed conditions sufficient to support the defense of laches. There must also have been some detriment due to the delay. Prejudice may arise from an unreasonable delay and economic prejudice based on loss of time or money or foregone opportunity. A party asserting laches may strengthen its showing of prejudice by showing that during the delay its business under the mark grew. See Christian Broadcasting Network Inc. v. ABS-CBN Int'l, 84 USPQ2d 1560, 1573 (TTAB 2007)("[p]rejudice, however, may be as simple as the development of goodwill built around a mark during petitioner's delay."). Respondent does not need to show, however, reliance on the delay of petitioner or that petitioner by inaction lulled respondent. Bridgestone/Firestone Research, Inc. v. Automobile Club de L'Ouest de

la France, 58 USPQ2d at 1463 ("When there has been an unreasonable period of delay by a plaintiff, economic prejudice to the defendant may ensue whether or not the plaintiff overtly lulled the defendant into believing that the plaintiff would not act, or whether or not the defendant believed that the plaintiff would have grounds for action.").

GCC and its principal Jose Montagne have spent considerable time, money, and effort in the research and planning of its new rum business as an expansion of its other businesses. See Declaration of Montagne. GCC has met with potential investors, distributors, and traveled at least three times to the manufacturing plant in the Dominican Republic in an ongoing effort to conduct and build its business. See Declaration of Montagne. GCC has also engaged in other extensive and costly activities regarding the legality of its business to insure compliance with labeling laws, and other laws applicable to the liquor industry. See Declaration of Montagne. All of these extensive and costly activities have been conducted based upon GCC's reliance on its ownership of a federal registration and the fact that no one has filed any cancellation proceeding or otherwise called into question those rights. See Declaration of Montagne.

In stark contrast, Habanos has done nothing though it had several opportunities over the course of many years to oppose or otherwise seek cancellation of the mark(s).

Under the circumstances present herein, the many years delay is an unreasonable in asserting rights, if any, by Habanos. Equally telling is Habanos' complete failure to explain this delay in taking action; no reasonable excuse is given for its inaction when it had several opportunities over the course of many years to do so. Allowing Habanos to proceed with its cancellation proceeding would present a material prejudice to GCC which is directly attributable to the long delay.

Finally, the Counterclaim's Fourth and Fifth Grounds for Cancellation appear to be identical. Thus, the Board should dismiss either or both as necessary should the Board otherwise not dismiss all of the Counterclaims in their entirety.

WHEREFORE, Petitioner respectfully requests that the Board grant this motion to dismiss all Counterclaims.

Dated this 10th day of September 2014

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CERTIFICATE OF SERVICE

I certify that a true and accurate copy of this motion was served on counsel for Respondent via US First Class Mail this 10th day of September 2014 to the address below:

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s/FRANK HERRERA