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 9 GoDaddy.com, Inc.

10 UNITED STATES DISTRICT COURT
 11 NORTHERN DISTRICT OF CALIFORNIA

12	PETROLIAM NASIONAL BERHAD,)	CASE NO: 09-CV-5939 PJH
)	
13	Plaintiff,)	DEFENDANT’S MOTION FOR
)	LEAVE TO AMEND ANSWER TO
14	vs.)	ADD COUNTERCLAIM AND
)	ADDITIONAL AFFIRMATIVE
15	GODADDY.COM, INC.,)	DEFENSE
)	
16	Defendant.)	
)	

17
 18 **NOTICE OF MOTION AND MOTION**

19 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

20 PLEASE TAKE NOTICE THAT, on August 10, 2011 at 2:00 p.m. or at such date and
 21 time as the Court may establish, Defendant GoDaddy.com, Inc. (“GoDaddy”), in light of the
 22 Trademark Trial and Appeal Board’s June 7, 2011 order suspending Cancellation Proceeding
 23 No. 92052714 pending disposition of this litigation, will and hereby does move pursuant to Fed.
 24 R. Civ. P. 15(a)(2) for an Order permitting GoDaddy to file an amended Answer and
 25 Counterclaim for cancellation of U.S. Trademark Registration No. 2969707 (Petronas’
 26 “Trademark Registration”) owned by Plaintiff Petroliam Nasional Berhad (“Petronas”).

27 This Motion is based on this Notice of Motion and Motion, including the Memorandum
 28 of Points and Authorities set forth below, the [Proposed] Amended Answer and Counterclaim

1 attached hereto as Exhibit A to the declaration of John L. Slafsky filed herewith (“Slafsky
2 Decl.”), the pleadings and papers on file with the Court, the argument of counsel, and on any
3 other matters properly before the Court.

4 **MEMORANDUM OF POINTS AND AUTHORITIES**

5 **I. ISSUE TO BE DECIDED (LOCAL RULE 7-4(A)(3))**

6 Should Go Daddy be granted leave to file an amended Answer and Counterclaim against
7 Petronas under Rule 15(a)(2)?

8 **II. BACKGROUND**

9 While investigating the claims Petronas made in its initial complaint, Go Daddy learned
10 facts indicating that the trademark rights asserted in the complaint are invalid. In particular, the
11 Petronas Trademark Registration is invalid because Petronas has abandoned use of the trademark
12 in the U.S. (to the extent it was ever in use) and because the Trademark Registration was
13 improperly issued at the time of registration. The validity of Petronas’ Trademark Registration is
14 a critical question in this case, as two claims in this action are based on the Anticybersquatting
15 Consumer Protection Act (ACPA), which specifies that only the “owner of a mark” can bring an
16 action for violation of the Act. *See* 15 U.S.C. § 1125(d)(1)(A) (“A person shall be liable in a
17 civil action *by the owner of a mark . . .*”) (emphasis added)¹; *Tober v. Aprov.com*, Case No. 1:07-
18 cv-1252 (LMB/TCB), 2008 WL 4364221, at *3 (E.D. Va. Sept. 23, 2008) (“[T]o qualify for
19 protection under the ACPA, the plaintiffs must allege that their mark was used in commerce in
20 the United States or was used in foreign trade with the United States.”). Petronas’ Trademark
21 Registration, if valid, would provide some evidence of the validity of its U.S. trademark rights.
22 *See* 15 U.S.C. § 1115(a) (“Any registration . . . of a mark registered on the principal register
23 provided by this chapter and owned by a party to an action shall be admissible in evidence and
24

25 ¹ The only other claim in the First Amended Complaint is a state law claim for unfair
26 competition under § 17200, which is completely dependent on the ACPA claims. *See Denbicare*
27 *U.S.A., Inc. v. Toys ‘R’ Us, Inc.*, 84 F.3d 1143, 1152 (9th Cir. 1996) (“[S]tate common law
28 claims of unfair competition and actions pursuant to California Business and Professions Code §
17200 are ‘substantially congruent’ to claims made under the Lanham Act’ . . . Thus, since
dismissal of [plaintiff’s] Lanham Act claim was proper, dismissal of its § 17200 claim was
proper as well.”) (citation omitted).

1 shall be prima facie evidence of the validity of the registered mark and of the registration of the
2 mark, of the registrant’s ownership of the mark . . .”).

3 To address its concerns regarding the validity of Petronas’ Trademark Registration, Go
4 Daddy promptly filed a Petition to Cancel the Trademark Registration at the Trademark Trial and
5 Appeal Board (TTAB), which has specific expertise involving claims concerning cancellation of
6 trademark registrations at the U.S. Patent and Trademark Office. *See Citicasters Co. v. Country*
7 *Club Commc’ns*, Case No. 97-0678 RJK, 1997 WL 715034, at *2 (C.D. Cal. July 21, 1997)
8 (acknowledging that the TTAB has “specialized knowledge in effecting a determination [of a
9 pending cancellation proceeding]”); *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1164 n.13 (9th
10 Cir. 2007) (same) (citation omitted). Go Daddy’s July 12, 2010 Petition for Cancellation is
11 attached to the Slafsky Decl. as Exhibit B.

12 The TTAB cancellation proceeding continued for almost a year, through the discovery
13 phase. In March 2011, Go Daddy filed a motion to compel Petronas to respond fully to
14 outstanding discovery requests from December 2010. In the course of granting, in part, the
15 motion to compel, the TTAB decided *sua sponte* to suspend the action pending disposition of the
16 present litigation.²

17 As the validity of the Petronas Trademark Registration is important to the issue of
18 Petronas’ trademark validity and ownership – an essential element of all remaining claims in this
19 action – and as the TTAB has recently declined to decide this issue in deference to this Court,
20 Go Daddy now seeks to resolve this issue in the federal court litigation.

21 In addition, a few days ago Petronas filed a motion to strike Go Daddy’s affirmative
22 defenses, apparently on the ground that they do not include enough information to satisfy basic
23 pleading requirements. Though Go Daddy believes this motion – like the lawsuit – is frivolous,
24 and there is no question given the outright clarity of the affirmative defenses and given the many

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26 ² TTAB rules allow the administrative judge (called an interlocutory attorney) liberal
27 authority to suspend proceedings if a pending district court litigation may have a bearing on the
28 proceeding. *See* 37 CFR §2.117(a), TBMP §510.02(a). The TTAB reasoned that because
trademark validity was an issue in the federal case, there was enough overlap to suspend the
TTAB proceedings. Slafsky Decl. Ex. C (TTAB Order dated June 7, 2011) at 2.

1 instances Go Daddy has asserted its position in this case what the affirmative defenses refer to,
2 Go Daddy does not believe it is a productive use of the litigants' or the Court's time to focus on
3 this distraction. Therefore, Go Daddy is perfectly willing to expand on the allegations in the
4 affirmative defenses to highlight the many deficiencies in Petronas' case. Of course, Go
5 Daddy's investigation into Petronas' claims is ongoing, and Go Daddy has not yet received any
6 substantive discovery from Petronas in this action. To the extent Go Daddy is able given these
7 constraints, and subject to continued investigation and discovery, Go Daddy has included such
8 additional information in the attached proposed Amended Answer and Counterclaim. Slafsky
9 Decl. Ex. A. Specifically, the amended Answer and Counterclaim includes:

- 10 • A Counterclaim for Cancellation of Petronas' Trademark Registration;
- 11 • A related affirmative defense asserting that Petronas made improper
12 representations to the USPTO; and
- 13 • Revised affirmative defenses (which would moot Petronas' June 28, 2011 Motion
14 to Strike).

15 Go Daddy requested Petronas' consent to file an Amended Answer with a Counterclaim,
16 in order to present the same issues pending before the TTAB in this Court. Petronas refused.
17 See Slafsky Decl. ¶ 5, Ex. D.

18 **III. LEGAL STANDARD**

19 Under Rule 15(a), leave to amend is liberally granted and it is an abuse of discretion to
20 deny leave in the absence of a showing of prejudice or bad faith, or without a showing that the
21 proposed amendment is frivolous.³ See *Eminence Capital, LLC v. Aspeon, Inc.*, 316 F.3d 1048,
22 1051 (9th Cir. 2003) ("Generally, Rule 15 advises the court that 'leave shall be freely granted
23

24 ³ Former FRCP 13(f) provided that "[t]he court may permit a party to amend a pleading to
25 add a counterclaim if it was omitted through oversight, inadvertence, or excusable neglect or if
26 justice so requires." FRCP 13(f) was, however, abrogated in 2009 because "[w]hen the court's
27 leave is required, the reasons described in Rule 13(f) for permitting amendment to a pleading to
28 add an omitted counterclaim sound[ed] different from the general amendment standard in Rule
15(a)(2) . . . [but should have been administered] according to the same standard directing that
leave should be freely given when justice so requires." Fed. R. Civ. P. 13, advisory committee
note of 2009.

1 when justice so requires.’ This policy is ‘to be applied with extreme liberality.’”) (citations
2 omitted); *see also Cooper Dev. Co. v. Emp’rs Ins. of Wausau*, 765 F. Supp. 1429, 1432 (N.D.
3 Cal. 1991) (“Leave to amend should be denied only when there is a showing of undue delay, bad
4 faith, futility of amendment or prejudice to the opposing party.”).

5 Federal Rule of Civil Procedure 15(a) reflects an underlying policy that disputes should
6 be determined on their merits, and not on the technicalities of pleading rules. Fed. R. Civ. P.
7 15(a); *Foman v. Davis*, 371 U.S. 178, 181-82 (1962). Rule 15(a) has been consistently applied in
8 this district and circuit to grant leave unless there is a showing of prejudice, undue delay, bad
9 faith or “futility of amendment.” *Cooper Dev. Co.*, 765 F. Supp. at 1432; *see also Bowles v.*
10 *Reade*, 198 F.3d 752, 757 (9th Cir. 1999); *Morongo Band of Mission Indians v. Rose*, 893 F.2d
11 1074, 1079 (9th Cir. 1990); *DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987);
12 *Advanced Cardiovascular Sys. v. SciMed Life Sys.*, 989 F. Supp. 1237, 1241 (N.D. Cal. 1997).

13 The four factors that are relevant to determining whether leave should be granted are: (1)
14 whether there has been undue delay; (2) whether the moving party has acted in bad faith or with
15 a “dilatory motive”; (3) whether the amendment would be futile because the claims appear on
16 their face to be frivolous; and (4) whether the non-moving party would be prejudiced by granting
17 leave to amend. *Foman*, 371 U.S. at 182. In the Ninth Circuit, the non-moving party bears the
18 burden of demonstrating why leave to amend should be denied. *See DCD Programs*, 833 F.2d at
19 187 (“The party opposing amendment bears the burden of showing prejudice.”).

20 As set forth below, none of these four factors are present in this case, and leave to amend
21 should be granted.

22 **IV. ARGUMENT**

23 **A. Amendment Will Not Prejudice Petronas**

24 “Prejudice is the touchstone of the inquiry under rule 15(a).” *Eminence*, 316 F.3d at 1052
25 (quotation omitted). There is clearly no prejudice to Petronas, nor is this amendment and
26 Counterclaim any surprise to Petronas, given that the Cancellation proceeding on the identical
27 issue was pending for nearly a year, until it was cut off earlier this month. Moreover, fact
28 discovery had been underway in the TTAB since 2010; in the present federal litigation,

1 discovery began last month and is in its early stages. As such, Petronas has had and will have
2 ample opportunity to prepare its defense to the proposed counterclaim and its responses to the
3 proposed related affirmative defense. Indeed, as Petronas has received discovery requests on
4 these issues and had started collecting documents and information on these issues in 2010 – well
5 before the start of the discovery period in the present litigation in May 2011 – Petronas is in a
6 better position than most litigants at this early phase to respond to discovery on the issues
7 involved in the Cancellation proceeding.

8 In addition, the proposed amendment and Counterclaim involve issues that are at the
9 center of Petronas’ claims against Go Daddy in this action. If Petronas does not have valid U.S.
10 trademark rights, it cannot maintain a claim under the ACPA, and the First Amended Complaint
11 must be dismissed in its entirety. *See Maruti.com, et al. v. Maruti Udyog Ltd.*, 447 F. Supp. 2d
12 494, 498-99 (D. Md. 2006) (dismissing a large Indian automobile manufacturer’s ACPA
13 counterclaim for lack of standing, despite ownership of numerous foreign trademark
14 registrations, because “foreign use of a foreign trademark creates no rights under United States
15 law . . . [and the foreign manufacturer] cannot be seen as having a trademark that is ‘used in
16 commerce’ in the United States”); *see generally Barcelona.com v. Exelentísimo Ayuntamiento*
17 *De Barcelona*, 330 F.3d 617 (4th Cir. 2003). As each claim asserted in Petronas’ First Amended
18 Complaint depends wholly upon Petronas’ ownership of valid U.S. trademark rights, Go
19 Daddy’s proposed affirmative defenses (that Petronas abandoned its U.S. trademark rights and
20 made improper representations to the UPSTO) and its counterclaim for cancellation of Petronas’
21 Trademark Registration are largely implicated in the pre-existing claims in this litigation and
22 derive from the same set of operative facts. The assertion of these affirmative defenses and the
23 Counterclaim against Petronas will not alter the nature of the litigation in any fundamental way
24 and, instead, will permit the Court to consider all of the facts and legal theories relevant to the
25 claims that have already been asserted. *See Celgene Corp. v. Centocor, Inc.*, Case No. 2:03-cv-
26 05978-RB, Dkt. No. 30 (E.D. Pa. Dec. 7, 2004) (granting defendant’s motion for leave to amend
27 its answer to assert a counterclaim for cancellation of a trademark registration where defendant
28

1 had filed or was about to file a corresponding petition for cancellation with the TTAB that was
2 likely to be suspended).

3 While amendment would not force Petronas to confront any new issues, denying leave to
4 amend would certainly prejudice Go Daddy. Although the proposed counterclaim for
5 cancellation deals with many of the same facts as Go Daddy's existing affirmative defense of
6 trademark invalidity, cancellation of the Trademark Registration offers Go Daddy important
7 affirmative relief that is not otherwise available. Moreover, if the Court does not grant leave to
8 amend and does not consider Go Daddy's cancellation counterclaim as part of this action, then
9 Go Daddy may lose its ability to challenge certain aspects of Petronas' Trademark Registration.
10 Subsequent to the disposition of this action, there may be questions about Go Daddy's continued
11 standing to seek cancellation of the Trademark Registration before the TTAB, as Go Daddy's
12 standing is currently based in large part on Petronas' assertion of its alleged trademark rights
13 against Go Daddy in the present federal court litigation. Go Daddy may then have difficulty
14 resuming its cancellation proceeding before the TTAB when this action has concluded.

15 Where, as here, granting leave to amend confers no prejudice upon Petronas and denying
16 leave to amend risks extreme prejudice to Go Daddy, Petronas will be unable to carry its burden
17 of demonstrating prejudice sufficient to deny leave to amend. *Hip Hop Beverage Corp. v. RIC*
18 *Representacoes Importacao e Comercio Ltda.*, 220 F.R.D. 614, 622 (C.D. Cal. 2003) (finding no
19 prejudice where "the issues contained in [the] proposed claims are substantially related to the
20 issues contained in [the] Plaintiffs' Complaint").

21 **B. Go Daddy Has Acted in Good Faith in Asserting the Amendment and**
22 **Counterclaim**

23 Go Daddy is not asserting the amendment and counterclaim for a "wrongful motive."
24 *See DCD Programs*, 833 F.2d at 187. As set forth above, Go Daddy promptly sought the fastest
25 and most efficient means of seeking cancellation of Petronas' Trademark Registration. Now that
26 such proceeding has been suspended, adding the cancellation counterclaim and related
27 affirmative defense will allow this Court to fully consider the merits of Petronas' allegations.
28 Further, Go Daddy is not asserting these claims for any tactical or strategic reason. To the
contrary, Go Daddy informed the court of the pending cancellation proceeding immediately after

1 filing it⁴ and, after the cancellation proceeding was suspended, quickly sought leave to amend its
2 Answer to join the claims at issue therein in order to minimize any potential disruption of these
3 proceedings. Go Daddy’s “motive” in pursuing cancellation of Petronas’ invalid Trademark
4 Registration has always been and continues to be a desire to defend itself against Petronas’
5 improper and unsupported claims of cybersquatting.

6 **C. There Has Been no Undue Delay**

7 Go Daddy did not delay in seeking to cancel Petronas’ Trademark Registration. Upon
8 confirming that it had a sufficient evidentiary basis to challenge Petronas’ Trademark
9 Registration, Go Daddy promptly filed a cancellation petition with the TTAB. When the TTAB
10 suspended the matter in that forum, Go Daddy promptly filed this motion for leave to file an
11 amended Answer and Counterclaim. Moreover, it has only been six weeks since the submission
12 of Go Daddy’s original Answer to the First Amended Complaint.

13 In any event, delay – even when unjustified– is not sufficient reason to deny leave to
14 amend. *See Howey v. U.S.*, 481 F.2d 1187, 1190-92 (9th Cir. 1973) (denial of motion for leave
15 to amend complaint held to be an abuse of discretion even though the motion was made five
16 years after the original complaint was filed and “the [moving party] gave no reason for its
17 lengthy delay”); *see also Hurn v. Ret. Fund Trust of Plumbing, Heating & Piping Indus. of So.*
18 *Calif.*, 648 F.2d 1252, 1254 (9th Cir. 1981) (holding that “[d]elay alone does not provide
19 sufficient grounds for denying leave to amend” and that denial of motion for leave to amend was
20 an abuse of discretion even though the motion was made two years after the original complaint
21 was filed).

22 **D. Amendment Will Not Be Futile**

23 “If the underlying facts or circumstances relied upon by a plaintiff may be a proper
24 subject of relief, he ought to be afforded an opportunity to test his claim on the merits.” *Foman*,
25 371 U.S. at 182. Here, there is no question that the amendment that Go Daddy seeks will *not* be
26 futile. *See Miller v. Rykoff-Sexton, Inc.*, 845 F.2d 209, 214 (9th Cir. 1988) (“[A] proposed

27 _____
28 ⁴ See Dkt. No. 42 at 6, Second Joint Case Management Statement, filed on July 14, 2010.

1 amendment is futile and will be denied only if no set of facts can be proved under the
2 amendment to the pleadings that would constitute a valid and sufficient claim or defense.”). The
3 abandonment and misrepresentation defenses and cancellation counterclaim that Go Daddy seeks
4 leave to assert are well-grounded in trademark law and are supported by concrete facts. *See* 15
5 U.S.C. § 1064(3) (providing that a petition to cancel a trademark registration may be filed “[a]t
6 any time if the registered mark . . . has been abandoned, or its registration was obtained
7 fraudulently or contrary to the provisions . . . for a registration under [this] Act[]”). Further, the
8 proposed amendment augments rather than duplicates Go Daddy’s existing affirmative defense
9 of trademark invalidity; as a U.S. trademark registration is key evidence in proving the validity
10 and ownership of a U.S. trademark, consideration of the validity of the Trademark Registration is
11 a key precursor to determination of plaintiff’s rights.

12 As the allegations in Go Daddy’s counterclaim make clear, Petronas’ Trademark
13 Registration is subject to cancellation for at least two reasons. First, Petronas has abandoned any
14 rights it may have once held in the PETRONAS & Design mark⁵ because it ceased use of the
15 PETRONAS & Design mark in the U.S. with intent not to resume such use. *See* 15 U.S.C. §
16 1127 (defining “abandonment” in the context of the Lanham Act). In fact, Go Daddy is not
17 aware of any evidence that Petronas has ever used the PETRONAS mark in U.S. commerce in
18 connection with any of the goods covered by its Trademark Registration, including air
19 conditioners and other unlikely products, and Petronas produced no evidence of such use during
20 the eight months that discovery was open in the cancellation proceeding.⁶ Second, a U.S.
21 registration based on a foreign registration (also known as a §44(e) registration), like the one at
22 issue in this proceeding, may not be broader than the foreign registrations on which it is based.

24 ⁵ Petronas’ Trademark Registration includes a design element – it is not for the word
25 “Petronas” alone.

26 ⁶ *See Imperial Tobacco, Ltd., Assignee of Imperial Grp. PLC v. Philip Morris, Inc.*, 899 F.2d
27 1575, 1582 (Fed. Cir. 1990) (“[N]othing in the statute suggests that the registration of a never-
28 used mark can be maintained indefinitely simply because the registrant does not have an
affirmative intent to relinquish the mark. A [§]44(e) registrant is merely granted a dispensation
from actual use prior to registration, but after registration, there is no dispensation of use
requirements.”).

1 Petronas used its rights in its Malaysian trademark registrations as a basis for its U.S. Trademark
2 Registration. However, the U.S. Trademark Registration covers many more goods and services
3 than and therefore is not properly supported by Petronas' underlying Malaysian registrations.
4 Given the nature of the counterclaim and affirmative defense that Go Daddy seeks leave to
5 assert, there is no viable argument that amendment will be futile or is otherwise unnecessary.
6 *See Hip Hop Beverage*, 220 F.R.D. at 622-23 (“An amendment is ‘futile’ only if it would clearly
7 be subject to dismissal.”) (citing *DCD Programs*, 833 F.2d at 188).

8 **V. CONCLUSION**

9 For the foregoing reasons, Go Daddy respectfully requests that the Court grant its Motion
10 for Leave to Amend its Answer to the Petronas' First Amended Complaint so that Go Daddy
11 may add additional affirmative defenses and assert its counterclaim for cancellation of Petronas'
12 Trademark Registration, and that the Court enter the Amended Answer and Counterclaim
13 attached to the Slafsky Declaration as Exhibit A.

14
15 Dated: June 30, 2011

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

17
18 By: /s/ John L. Slafsky
John L. Slafsky

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20 Attorneys for Defendant
GoDaddy.com, Inc.

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