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9
10 **UNITED STATES DISTRICT COURT**
11 **SOUTHERN DISTRICT OF CALIFORNIA**
12

13
14 STONE BREWING CO., LLC,
15 Plaintiff,
16 v.
17 MILLERCOORS LLC,
18 Defendant.

Case No. 18-cv-0331-BEN-JMA

**PLAINTIFF STONE BREWING
CO., LLC'S NOTICE OF MOTION
AND MOTION TO DISMISS
AND/OR STRIKE DEFENDANT
MILLERCOORS LLC'S
COUNTERCLAIMS**

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1 Pursuant to Rule 12(b)(6) and 12(f), Plaintiff Stone Brewing Co., LLC
2 (“Plaintiff” or “Stone”) respectfully moves to dismiss and/or strike Defendant
3 MillerCoors LLC’s superfluous and otherwise infirm Counterclaims.

4 INTRODUCTION

5 Plaintiff Stone is a San Diego-based craft brewer that has sold its artisanal
6 STONE® beers nationwide for over two decades. Stone filed this action to protect
7 its incontestable federally-registered tradename against Defendant MillerCoors, who
8 recently rebranded its “Keystone” beer as “STONE.”

9 Defendant’s 82-page response to the Complaint (Dkt. 19, the “Answer/CC”) is
10 a blunderbuss attempt to turn supposed affirmative defenses into mirror-image
11 counterclaims that needlessly multiply these proceedings and fail to satisfy the
12 Declaratory Judgment Act, 28 U.S.C. § 2201 (“DJA”). *See, e.g., Riot Games*
13 *Merchandise, Inc. v. Tri-Force Sales, LLC*, No. 2:15-cv-05817-ODW(Ex), 2015 WL
14 13344626, at *2 (C.D. Cal. Dec. 1, 2015) (striking DJA counterclaim where
15 “Defendant’s counterclaim for a judicial declaration ... simply restates its defense to
16 Plaintiff’s claim in affirmative language.”)

17 Defendant’s first three counterclaims (Answer/CC at 24-27) should be stricken
18 and/or dismissed as infirm under the DJA because they add nothing to the case and
19 waste judicial and party resources on multiplied proceedings. The First
20 Counterclaim seeks a declaration of Defendant’s “prior use” and right to use
21 “STONE and STONES to advertise Keystone Beer”. However, this is duplicative of
22 Defendant’s Second Affirmative Defense of “Prior Use”, which Defendant explicates
23 in seven paragraphs in its Answer/CC. It also is duplicative of Defendant’s Fourth
24 Affirmative Defense of “Non-Infringement”. Similarly, the Second Counterclaim
25 seeks declaratory relief that Stone’s trademark is “unenforceable” due to “laches.”
26 The claim and allegations are redundant of the Third Affirmative Defense of
27 “Laches” and Fourth Affirmative Defense of “Non-Infringement”. And, the Third
28 Counterclaim seeks declaratory relief of “non-infringement” based on Defendant’s

1 “prior use” of “STONE or STONES in its Keystone advertising.” Again, the
2 allegations and requested relief are duplicative of Defendant’s Second and Fourth
3 Affirmative Defenses for “Prior Use” and “Non-Infringement”, respectively.

4 Finally, Defendant’s Fourth Counterclaim also should be dismissed as a matter
5 of law. The claim seeks declaratory relief from Stone’s incontestable STONE®
6 trademark based on Defendant’s supposed common law “exclusive right to use the
7 Stone Mark.” (Answer/CC at 7:20-21). Not only is the claim decades stale, *i.e.*, just
8 like Defendant’s marketing of “smooth” light beer, but also fails to satisfy basic
9 pleading requirements to state a cause of action.

10 As an initial matter, the claim fails because it does not plead a necessary
11 element for enjoyment of an “exclusive” trademark right. Namely, Defendant
12 neglects to allege (or admit) that the parties’ competing uses are incompatible. This
13 is fatal because, as a matter of law, there can be no right to exclusivity unless
14 Defendant also alleges that the marks would cause consumer confusion. Defendant
15 fails to do so and elsewhere contends that no such confusion exists. It either must
16 dismiss the claim or make the allegation.

17 The counterclaim also must be dismissed because it woefully violates any
18 reasonable application of the statute of limitations or laches. Stone successfully
19 applied for, and has been using, its incontestable STONE® mark on beer products
20 since 1996, which Defendant concedes. Defendant also has long known that its use
21 of “STONES” was inferior to Stone’s mark when it attempted to register the term
22 over a decade ago in 2007. The U.S. Patent and Trademark Office (“PTO”) rejected
23 Defendant’s application “because the applicant’s [Defendant’s] mark, when used on
24 or in connection with the identified goods, so resembles the mark in U.S.
25 Registration No. 2168093 [Plaintiff’s STONE® mark] as to be likely to cause
26 confusion, to cause mistake, or to deceive.” *In re. Trademark Application No.*
27 *77284994 – STONES*, PTO Dkt. No. 4060KE-1027 (Dec. 3, 2007) (Declaration of J.
28 Noah Hagey In Support of Request for Judicial Notice (Hagey Decl.) at Ex. 6).

1 While not strictly *res judicata*, the PTO’s findings put Defendant on notice,
2 particularly after the examining officer concluded that Stone had priority in the field.
3 *Id.* Defendant later abandoned its PTO application which, in any event, also
4 admitted that Defendant’s “first use” date of “STONES” was on or about 2004,
5 almost a decade after Stone’s launch and federal registration. (Hagey Decl. at Exs. 4
6 and 5). Accordingly, the Fourth Counterclaim, which seeks wholly implausible and
7 time barred relief, should be dismissed.

8 For the foregoing reasons and those which follow, the Court should dismiss
9 and/or strike each of Defendant’s infirm counterclaims.

10 STATEMENT OF FACTS

11 The indisputable and/or admitted facts supporting this Motion are found in
12 Defendant’s Answer and Counterclaims, together with the indisputable evidence
13 appended to Stone’s Request for Judicial Notice (“RJN”).

14 **A. Stone Registers the Mark STONE® with the USPTO in 1996**

15 Stone was founded in the mid-1990s by Steve Wagner and Greg Koch amidst a
16 beer market dominated by big beer companies such as Defendant MillerCoors.
17 (Answer/CC at 2:7; 10:3, 8-9; 14:16-17).

18 As the business plans of Stone began to solidify, Stone recognized that the
19 creation of a brand required vigilance. Accordingly, on April 4, 1996, Stone filed its
20 trademark application for “STONE” with the PTO, which was granted on June 23,
21 1998. (Hagey Decl. at Ex. 1; Answer/CC at 14:16-17; 31:4-6; 41:19-20). On June
22 28, 2008, the PTO accepted Stone’s Combined Declaration of Use and
23 Incontestability for STONE®, rendering the mark incontestable as a matter of law.
24 (Hagey Decl. at Exs. 2 and 3).

25 Today, STONE® beer is sold in thousands of stores, bars and restaurants
26 throughout the country and world. (Answer/CC at 6:5-9; 32:28-33:2). Stone also
27 runs three thriving *Stone Brewing World Bistro & Garden*™: one in San Diego, one
28 in Virginia, and one in the international heart of beer, Berlin, Germany. (Answer/CC

1 at 2:7-10; 6:5-9). And since its rebellious origins to its international popularity today,
 2 the key identifier of Plaintiff's beer has, and continues to be, the STONE® Mark.
 3 (Answer/CC at 7:4; 11:1; 41:5-6; 54:11-12; 64:12-13).

4 **B. Defendant's Struggle to Promote Its Fizzy Yellow Beer**

5 Since the release of Keystone beer in 1989, the brand was identified by two
 6 features: (i) the word "KEYSTONE" prominently displayed across the can, (ii)
 7 against a backdrop of the Colorado Rockies. (Answer/CC at 48:6; 53:25-26). Yet, as
 8 craft beer grew in popularity into the 2000s, MillerCoors saw its Keystone brand
 9 increasingly losing market share. (Answer/CC at 23:14-17; 49:22-23). Thereafter,
 10 MillerCoors instituted various short-lived advertising measures to try to help its
 11 KEYSTONE brand, none of which involved a permanent departure from the
 12 signature can design – prominent "KEYSTONE" mark with accompanying Colorado
 13 Rockies. (Answer/CC at 11:6-13; 17:5-14; 19:8-19; 20:1-8).

14 In and around the late 1990s, MillerCoors' packaging included the number of
 15 beers within a case of KEYSTONE as "30 'Stones.'"¹ (Answer/CC at 12:27-28:17).
 16 This packaging never isolating the word "STONES," and the cans continued to
 17 feature the two identifiers of the brand – the "KEYSTONE" mark with the Colorado
 18 Rockies image.² (Answer/CC at 12:27-28:17).

19 Keystone's historical conduct came to head when it attempted to register
 20 "STONES" as a standalone mark in 2007 (the "2007 'STONES Application"). In a
 21 lengthy opinion published in December 2007, the PTO expressly rejected the
 22 application because it would create substantial consumer confusion with Plaintiff's
 23 existing STONE® mark:

24 _____
 25 ¹ Defendant supplies an image titled, "1995 *Keystone Light* Outer Packaging (folded flat)." (Answer/CC at 13:3-26). The "folded flat" picture is packaging artwork. The Counterclaim does not allege that such packaging was finalized, much less used in commerce.

26 ² Defendant's allegation that it used the word "STONE" in isolation is alleged on information and
 27 belief, and only substantiated by a tagline on a "July 1996 Newspaper Ad" which features two cans
 28 prominently displaying the primary KEYSTONE mark and the Colorado Rockies imagery, the Ad
 of which post-dates Plaintiff's application for the STONE® Mark by three (3) months.
 (Answer/CC at 13:27-14:14).

1 The examining attorney refuses registration under
 2 Trademark Act Section 2(d), 15 U.S.C. §1052(d), because
 3 [MillerCoors' "STONE"] mark, when used on or in
 4 connection with the identified goods, so resembles
 [Stone's] mark in U.S. Registration No. 2168093 as to be
 likely to cause confusion, to cause mistake, or to deceive.
 TMEP §§1207.01 et seq. See the enclosed registration.

* * *

5
 6 Since the respective marks are essentially identical, the
 7 only issue before the examining attorney is whether the
 8 applicant's goods are so related to the registrant's goods
 9 that confusion as to source of origin or sponsorship is likely
 10 to occur. The examining attorney must conclude that they
 11 are so related, for it is foreseeable that customers of the
 applicant might encounter the registrant's respective goods
 and mark in the marketplace given similar channels of trade
 within which the identified goods travel. Specifically, it is
 likely that the applicant's beer and the registrant's beers
 and ales will be marketed, advertised and ultimately sold or
 offered in the same or similar fashions.

12 **Confusion as to source of origin or sponsorship is**
 13 **extremely likely if [MillerCoors'] proposed mark is**
 14 **allowed to register. Registration is therefore refused by**
the examining attorney.

15 (Answer/CC at 34:12-14, 63:15-18; Hagey Decl. at Ex. 6.)

16 Equally relevant to its current claims, Defendant admitted that its first use date
 17 of "STONES" was only around February 2004. (Hagey Decl. at Ex. 4.) Moreover,
 18 the PTO found that Defendant was unable even to provide a genuine specimen of
 19 use. (Hagey Decl. at Ex. 6.)

20 Although the PTO offered Defendant the opportunity to challenge these
 21 findings, and "submit[] evidence and arguments in support of registration,"
 22 Defendant expressly chose not to in the six month period following. (Hagey Decl. at
 23 Exs. 4-6; Answer/CC at 63:16-18, 19-20; 64:5-6.) Defendant ultimately abandoned
 24 the application on or about June 2008. (Hagey Decl. at Ex. 5.)

25 **C. Defendant's Vacillating Marketing Efforts**

26 As the KEYSTONE brand continued to lag in sales, Defendant attempted new
 27 campaigns to attract consumer attention. (Answer/CC at 49:22-23.) One such
 28 campaign was the "Keith Stone" KEYSTONE campaign in and around 2011.

1 (Answer/CC at 17:28-18:16.) This short-lived campaign featured a somewhat
2 dubious 20s-something character, whose name, not surprisingly, sounded very
3 similar to the beer it was promoting, Keystone. (Answer/CC at 17:28-18:16.)
4 Throughout the (thankfully) fleeting Keith Stone “era,” the can continued to feature
5 the two identifiers of the brand – the primary singular “KEYSTONE” mark with the
6 accompanying Colorado Rockies image. (Answer/CC at 18:5-14.)

7 During this same time period, Defendant attempted to trademark a “STONE”-
8 related name, and again, was unsuccessful. Despite full knowledge of the STONE®
9 Mark, Defendant filed an application for “HOLD MY STONES.” (Answer/CC at
10 15:9-11; 34:12-14; Hagey Decl. at Ex. 8.) In defense of its STONE® Mark, Plaintiff
11 promptly notified the PTO and Defendant that this registration would be opposed
12 unless the parties reached an agreement. (Answer/CC at 15:12-15; Hagey Decl. at
13 Ex. 8.) Instead, Defendant expressly abandoned the entire application six months
14 later. (Answer/CC at 17:11-12; Hagey Decl. at Ex. 8.)

15 The remainder of Defendant’s campaigns were even shorter lived, and none of
16 which constituted a departure from the brand-identifying features of the can, the
17 prominent singular “KEYSTONE” Mark against a backdrop of the Colorado
18 Rockies. (Answer/CC at 19:3-26; 48:6; 53:25-26). That is, until 2017.

19 **D. MillerCoors’ 2017 Campaign to Rebrand and Co-Opt the**
20 **STONE® Mark**

21 By 2017, Defendant had utilized all the tricks in its big beer book against
22 Stone and other craft brands. Facing knowledge that Keystone’s historic customer
23 base was decreasingly loyal, Defendant adopted a new plan: it chose to rebrand the
24 entire design of the Keystone can. (Answer/CC at 21:2-3, 6-7; 22:17; 23:14-19).

25 Defendant’s new can dropped all of the key brand identifiers that had been
26 used on its products since 1989: the prominent singular “KEYSTONE” mark and
27 Colorado Rockies mountain backdrop. (Answer/CC at 4:8-24; 22:22; 53:3-5). In its
28

1 place, Defendant adopted a new brand name featuring a single word, without the
2 Rockies: “STONE.” (Answer/CC at 59:2-4, 25-27; 60:21-22; 61:15-16; 62:7-8.)



8 As a result of Keystone’s rebranding and co-opt of Stone’s mark, Defendant
9 reported a substantial uptick in sales that far outpaced others in the category. (Hagey
10 Decl. at Ex. 9.)

11 **E. Procedural History**

12 Stone filed its Complaint on February 12, 2018. (Dkt. 1, Complaint). On
13 April 10, 2018, MillerCoors filed its 82-page Answer/CC, which included four
14 counterclaims improperly seeking various forms of declaratory relief. (Dkt. 19).
15 Stone accordingly is moving to dismiss the four counterclaims as improper,
16 insufficiently alleged and merely constituting mirror images of Stone’s complaint
17 and duplicative of MillerCoors’ affirmative defenses.

18 **ARGUMENT**

19 A complaint must be dismissed if it does not contain “enough facts to state a
20 claim to relief that is plausible on its face.” *Davis v. Powell*, 901 F. Supp. 2d 1196,
21 1208 (S.D. Cal. 2012) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570
22 (2007)). “A claim has facial plausibility when the plaintiff pleads factual content that
23 allows the court to draw the reasonable inference that the defendant is liable for the
24 misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). After stripping
25 away the “conclusory statements” in the complaint, the remaining factual allegations
26 must do more than ““create[] a suspicion of a legally cognizable right of action[;]””
27 they must “raise a right to relief above the speculative level.” *Twombly*, 550 U.S. at
28

1 555 (citations omitted). In making this “context-specific” determination, the Court
2 must “draw on its judicial experience and common sense.” *Iqbal*, 556 U.S. at 679.

3 Additionally, a court “may strike from a pleading an insufficient defense or
4 any redundant, immaterial, impertinent, or scandalous matter.” Fed. R. Civ. P. 12(f).
5 “[T]he function of a 12(f) motion to strike is to avoid the expenditure of time and
6 money that must arise from litigating spurious issues by dispensing with those issues
7 prior to trial” *Sidney–Vinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir.
8 1983). “Granting a motion to strike may be proper if it will make trial less
9 complicated or eliminate serious risks of prejudice to the moving party, delay, or
10 confusion of the issues.” *Nguyen v. CTS Elecs. Mfg. Sols. Inc.*, 301 F.R.D. 337, 340
11 (N.D. Cal. 2014). A duplicative counterclaim for declaratory judgment causes
12 prejudice and may be stricken when “Plaintiffs would be forced to incur fees drafting
13 duplicative pleadings, discovery, and motions regarding that counterclaim.” *Riot*
14 *Games Merch., Inc. v. Tri-Force Sales, LLC*, No. 215CV05817ODWEX, 2015 WL
15 13344626, at *3 (C.D. Cal. Dec. 1, 2015). “Ultimately, whether to grant a motion to
16 strike lies within the sound discretion of the district court.” *Id.* (quoting *Whittlestone,*
17 *Inc. v. Handi–Craft Co.*, 618 F.3d 970, 973 (9th Cir. 2010)).

18 **I. THE FIRST, SECOND AND THIRD COUNTERCLAIMS SERVE NO**
19 **USEFUL PURPOSE AND SHOULD BE DISMISSED OR STRICKEN**

20 In its First, Second and Third Counterclaims, MillerCoors seek declaratory
21 relief in the form of (1) a judicial declaration of its alleged “right to use STONE and
22 STONES to advertise Keystone Beer” (Anser/CC at 24-25); (2) a declaratory
23 judgment that laches precludes Stone from enforcing its STONE® mark against
24 MillerCoors (*id.* at 25-26); and (3) a judicial declaration that MillerCoors’ “use of
25 STONE to advertise Keystone beer does not infringe” Stone’s STONE® mark. (*Id.*
26 at 26-27). These “counterclaims” are merely a repackaging of Stone’s claims and
27 MillerCoors’ affirmative defenses which serve no useful purpose other than to lard
28

1 up the record and increase the burden of adjudicating these proceedings, and they
2 should therefore be dismissed.

3 **A. The Court Need Not Allow Declaratory Relief Counterclaims that Are**
4 **Entirely Duplicative of Existing Claims and Defenses**

5 Although not specifically styled as such, MillerCoors' declaratory judgment
6 claims are presumably asserted under the Declaratory Judgment Act, 28 U.S.C. §
7 2201, which provides that "[i]n a case of actual controversy within its jurisdiction,
8 any court of the United States, upon the filing of an appropriate pleading, *may*
9 declare the rights and other legal relations of any interested party seeking such
10 declaration." (emphasis added). "The Declaratory Judgment Act gives the Court the
11 *authority* to declare the rights and legal relations of interested parties, but not a *duty*
12 to do so." *Stickrath v. Globalstar, Inc.*, No. C07-1941 THE, 2008 WL 2050990, at
13 *3 (N.D. Cal. May 13, 2008) (citing *Leadsinger, Inc. v. BMG Music Pub.*, 512 F.3d
14 522, 533 (9th Cir. 2008) (emphasis in original). Where declaratory relief would
15 serve no useful purpose, "[n]umerous courts have used that discretion to dismiss
16 counterclaims under Fed. Rule Civ. Pro. 12(f) where they are either the 'mirror
17 image' of claims in the complaint or redundant of affirmative defenses." *Id.* at *3.

18 In determining whether to hear a declaratory judgment claim, the Court should
19 "look[] to the purpose of the Declaratory Judgment Act," which is to empower
20 *potential* defendants threatened with suit to obtain relief as declaratory judgment
21 plaintiffs. *Englewood Lending, Inc. v. G&G Coachella Investments, LLC*, 651
22 F.Supp.2d 1141, 1145 (C.D. Cal. 2009) (quoting *Hal Roach Studios v. Richard*
23 *Feiner & Co.*, 896 F. 2d 1542, 1555 (9th Cir. 1990)) ("the purpose of the Declaratory
24 Judgment Act" is "to relieve potential defendants from the Damoclean threat of
25 impending litigation which a harassing adversary might brandish, while initiating suit
26 at his leisure—or never.")

27 When counterclaims for declaratory judgment "are either the 'mirror image' of
28 claims in the complaint or redundant of affirmative defenses," the purpose of the

1 Declaratory Judgment Act is not furthered by hearing the counterclaims. District
2 courts have therefore held that dismissing or striking the counterclaims is
3 appropriate. *Stickrath*, 2008 WL 2050990, at *3. “[T]he court should focus on
4 whether the counterclaims ‘serve any useful purpose,’” and should dismiss or strike
5 as redundant a counterclaim when “‘it is clear that there is a complete identity of
6 factual and legal issues between the complaint and the counterclaim.’” *Riot Games*
7 *Merchandise, Inc. v. Tri-Force Sales, LLC*, No. 2:15-cv-05817-ODW(Ex), 2015 WL
8 13344626, at *2 (C.D. Cal. Dec. 1, 2015) (quoting *Stickrath*, 2008 WL 2050990 at
9 *4)).

10 **B. The First Counterclaim is Redundant of MillerCoors’ Second**
11 **Affirmative Defense and of Stone’s Claims**

12 MillerCoors’ First Counterclaim seeks a “judicial declaration of its right to use
13 STONE and STONES to advertise Keystone beer” on the grounds that “MillerCoors’
14 continuous use of STONE and STONES predates [Stone]’s use.” (Answer/CC at
15 25:12-13, 19-20.) The claim is wholly duplicative of MillerCoors’ Second
16 Affirmative Defense of “Prior Use”, which MillerCoors explicates in considerably
17 greater detail in its subsequent Answer (at 76:25-77:27). Both the Second
18 Affirmative Defense and First Counterclaim assert that MillerCoors and its
19 predecessors have used “STONE” or “STONES” since a time prior to Stone’s
20 application to register its STONE® Mark. They also seek the same relief – *i.e.*, a
21 determination that MillerCoors is entitled to use “STONE” or “STONES”
22 notwithstanding Stone’s incontestable registration for STONE®. The First
23 Counterclaim merely re-states MillerCoors’ Second Affirmative Defense in skeletal
24 form. It thus fails to “raise legal issues or theories apart from those already before
25 the Court,” *Stickrath* at *10, weighing in favor of dismissal.

26 The First Counterclaim is doubly redundant because it is the mirror image of
27 Stone’s claims for infringement and declaratory judgment. The issue of seniority
28 will necessarily be decided in adjudicating Stone’s trademark infringement claims,

1 including Stone’s ownership of “all right, title, and interest in the registered
2 trademark STONE®.” (Complaint at 17:22-23.) If that were not enough, Stone’s
3 Complaint also expressly requests “declaratory judgment that further use by
4 Defendants of the STONE® mark in connection with the sale, marketing or
5 distribution of beer would infringe Plaintiff’s rights in the STONE® Mark.”
6 (Complaint at 22:14-16.)

7 Further, the litigation of Stone’s claims will necessarily determine whether
8 MillerCoors has a “right to use STONE and STONES,” by virtue of seniority or
9 otherwise. (Answer/CC at 25:19-20.) Accordingly, the First Counterclaim serves no
10 useful purpose and should be dismissed or stricken. *Apple, Inc. v. Samsung Elecs.*
11 *Co., Inc.*, 2011 WL 4948567, at *10 (N.D. Cal. Oct. 28, 2011) (striking counterclaim
12 where it “will necessarily be determined in the course of the litigation, and
13 [defendant] has raised the issue sufficiently in its Affirmative Defense.”)

14 **C. The Second Counterclaim is Redundant of the Third Affirmative** 15 **Defense**

16 In the Second Counterclaim, MillerCoors seeks a declaratory judgment that
17 “laches precludes [Stone] from enforcing the STONE mark against MillerCoors.”
18 (Answer/CC at 26:15-17.) This Counterclaim is entirely redundant of MillerCoors’
19 Third Affirmative Defense (“Laches”), in which MillerCoors asserts that Stone’s
20 “claims made in the Complaint are barred by laches.” (Answer/CC at 78:3-6.)

21 Like the First Counterclaim, the Second merely re-states an affirmative
22 defense as a declaratory judgment claim distinguished only by its paucity of factual
23 detail. Accordingly, the Second Counterclaim serves no useful purpose and should
24 be dismissed.

25 The Second Counterclaim is based on the exact same factual allegations in
26 Defendant’s Third Affirmative Defense, *i.e.*, that Stone “was aware of MillerCoors’
27 use of ‘STONES’ in 2010 and sent a letter to MillerCoors” but “failed to bring legal
28 action against MillerCoors until 2018.” (Answer/CC at 26:5-9; *c.f.* 13:10-15 (“In

1 2010...Stone Brewing’s attorney sent a cease and desist letter to MillerCoors
2 demanding MillerCoors stop using “STONE, STONES, and HOLD MY STONES”
3 to sell Keystone beer.”) and 78:16-22 (“Stone Brewing’s attorneys did not voice any
4 further objection to MillerCoors’ use of STONE and STONES until Stone Brewing
5 filed this Complaint.”).)

6 Likewise, both the Second Counterclaim and Third Affirmative Defense are
7 each based on the same legal theory, laches. MillerCoors asserts that laches apply
8 because Stone’s delay in filing suit “was unreasonable in light of the analogous
9 California statute of limitations period of three years” and that because it has
10 “suffered prejudice” due to this delay because it “heavily invested in Keystone
11 visuals and marketing after 2010 that used STONE and STONES.” (Answer/CC at
12 26:10-14; *c.f.* 79:1-6 (alleging that Stone “unreasonably delayed asserting any claims
13 it had by waiting eight more years to file a lawsuit” and MillerCoors would be
14 prejudiced by Stone’s lawsuit because it “heavily invested in multiple marketing
15 campaigns that center around the Keystone nicknames STONE and STONES”).

16 There is no material difference in the factual allegations raised or relief sought
17 by the Second Counterclaim and Third Affirmative Defense. Because the Second
18 Counterclaim and Third Affirmative Defense are based on identical facts and legal
19 theories, the Second Counterclaim does not “serve any useful purpose” and should be
20 dismissed or stricken. *Riot Games*, 2015 WL 13344626, at *2.

21 **D. The Third Counterclaim is Entirely Redundant**

22 The Third Counterclaim is nothing more than a denial of Stone’s trademark
23 infringement claims. MillerCoors seeks “a judicial declaration that its use of STONE
24 to advertise Keystone beer does not infringe [Stone]’s mark.” (Counterclaims at
25 27:16-18.) It goes without saying that MillerCoors’ infringing use of the STONE®
26 mark is already before the Court. Indeed, such infringement forms the basis of
27 Stone’s affirmative claims for trademark infringement, false designation of origin,
28 unfair competition, and declaratory judgment. (Complaint, *passim*.)

1 The Complaint is replete with allegations concerning MillerCoors’
2 infringement.³ In sum, it is impossible to litigate Stone’s claims without addressing
3 whether MillerCoors’ copying of the STONE® mark in connection with its Keystone
4 beer amounts to infringement. By definition, the Third Counterclaim is a mirror
5 image that adds nothing to this action. Where a “Defendant’s counterclaim for a
6 judicial declaration...simply restates its defense to Plaintiff’s claim in affirmative
7 language,” the counterclaim should be dismissed. *Riot Games* at *2.

8 The Third Counterclaim is particularly duplicative because it merely re-states
9 MillerCoors’ First Counterclaim. The First and Third Counterclaims are factually
10 identical to one another, both alleging that MillerCoors has “continuously used
11 STONE or STONES in its Keystone advertising” and “on Keystone’s outer
12 packaging” since at least 1995 and that its “continuous use of STONE predates”
13 Stone’s use of the mark. (*Id.* at 25:1-6; 26:26-27:2, 5-7.) Because Stone began using
14 the STONE mark on its beer in 1996 and “did not register its STONE mark until June
15 23, 1998,”⁴ MillerCoors asserts that it is “the senior user of STONE in connection
16 with beer relative to” Stone. (*Id.* at 25:10-11; 27:5-11.) The Third Counterclaim
17 serves no “useful purpose” even when compared to MillerCoors’ other
18 Counterclaims, and should be dismissed or stricken as redundant for the same
19 reasons as the First Counterclaim.

21 _____
22 3 See, e.g., Complaint at 1:7-12 (“Plaintiff Stone Brewing brings this trademark action to halt
23 Defendant MillerCoors’ misguided campaign to steal the consumer loyalty and awesome reputation
24 of Stone’s craft brews and iconic STONE® trademark”); at 45:11-12 (“Keystone’s new can design
25 overtly copies and infringes the STONE® trademark”); at 14:15-18 (“MillerCoors has also
26 purchased advertising on major websites, such as ESPN.com, referring to Keystone as “STONE”.
Such mass advertising broadcasts the infringing “STONE” name beyond Keystone’s immediate
social media audience to the general public at large”); at 15:18-19 (“Now, MillerCoors is willfully
infringing the STONE® mark in a calculated attempt to dilute it beyond repair”); at 16:17-18
 (“MillerCoors’ deliberate infringement is likely to succeed in causing confusion”); at 17:7-8 (“In
recent weeks, Stone has received consumer inquiries showing that MillerCoors’ escalating
infringement is indeed brewing confusion in the marketplace”); *et cetera*.

27 4 MillerCoors misstates the timeline. Stone filed an application to register the STONE® Marks on
28 April 4, 1996, which was issued on June 23, 1998. (Hagey Decl. at Ex. 2.) MillerCoors made no
efforts whatsoever to challenge the STONE® Marks.

1 Finally, as a *third* independent basis for dismissal, the Third Counterclaim is
2 completely redundant of the Fourth Affirmative Defense for Non-Infringement,
3 which alleges that Stone’s claims “fail because MillerCoors has not infringed any of
4 [Stone’s] trademarks under federal or state law.” (Answer/CC at 79:7-11.) The
5 Third Counterclaim, which seeks a “declaration that its use of STONE to advertise
6 Keystone beer does not infringe [Stone]’s mark,” merely recasts this defense as a
7 claim for relief. The Third Counterclaim is redundant three times over and serves no
8 conceivable purpose, let alone any “useful” one. Accordingly, the First, Second, and
9 Third Counterclaims should be stricken or dismissed as redundant.

10 **II. DEFENDANT’S FOURTH COUNTERCLAIM SHOULD BE** 11 **DISMISSED**

12 In its Fourth Counterclaim, MillerCoors seeks a declaratory judgment that it
13 has an “exclusive common law right to use STONE in connection with the sale of
14 beer in the United States.” (Answer/CC at 28:18-20.) This counterclaim fails as a
15 matter of law for at least two reasons. First, MillerCoors fails to allege at least two
16 elements necessary to state a claim. Second, MillerCoors’ claim based on its
17 purported common-law rights is plainly time-barred.

18 **A. MillerCoors Has Not Alleged All the Elements Necessary to** 19 **Challenge an Incontestable Federal Mark**

20 Stone’s STONE® mark became incontestable as a matter of law on or about
21 June 28, 2008, when the PTO accepted Stone’s Combined Declaration of Use and
22 Incontestability. (Hagey Decl. at Exs. 2-3.) An incontestable registration is
23 “conclusive evidence of the validity of the registered mark and of the registration of
24 the mark, of the registrant’s ownership of the mark, and of the registrant’s exclusive
25 right to use the registered mark in commerce... subject to [certain] defenses or
26 defects.” 15 U.S.C. § 1115(b); *Clamp Mfg. Co., Inc. v. Enco Mfg. Co., Inc.*, 870 F. 2d
27 512, 514 (9th Cir. 1989) (“incontestable status provides the mark with a conclusive
28 presumption of validity...”).

1 MillerCoors is effectively challenging incontestability on the basis that Stone’s
2 use of the STONE® mark “infringes a valid right acquired under the law of any State
3 or Territory by use of a mark or trade name continuing from a date prior to the date
4 of registration.” 15 U.S.C. § 1065. But to establish that MillerCoors has a senior
5 common-law right in a mark registered by a junior user, a party must plausibly allege
6 “(1) that his or her ‘use of the mark began before its registration and publication’;
7 and (2) ‘that there has been continuing use since that time.’” *Watec Co., Ltd. v. Liu*,
8 403 F.3d 645, 653 (9th Cir. 2005) (quoting *Casual Corner Assocs., Inc. v. Casual*
9 *Stores of Nev., Inc.*, 493 F.2d 709, 712 (9th Cir. 1974)); *see also* 5 McCarthy on
10 Trademarks and Unfair Competition § 26:53 (5th ed.). Further, where a party claims
11 a date of first use which precedes the date that the party disclosed in a PTO
12 application, evidence of such earlier date must be established by clear and
13 convincing. *Hydro-Dynamics, Inc. v. George Putnam & Co., Inc.* 811 F.2d 1470,
14 1473 (Fed. Cir. 1987); *see also*, 5 McCarthy on Trademarks and Unfair Competition
15 § 19:52 (5th ed.). MillerCoors fails to satisfy these pleading requirements and do not
16 meet the Rule 8 “plausibility” standard set forth in *Twombly* and *Iqbal*.

17 **1. MillerCoors Fails to Allege That It Began Using the STONE**
18 **Mark Prior to Its Registration by Stone**

19 Stone applied for the registration of the STONE® Mark in April 1996. To
20 plausibly allege that it has a senior common-law right to the “STONE” marks,
21 therefore, MillerCoors must demonstrate that it began using the marks prior to that
22 date. Though MillerCoors alleges in a conclusory way that it has “continuously used
23 STONE or STONES” in Keystone advertising, on its outer packaging, and in
24 promotional materials “since at least 1995” (Answer/CC at 27:27-28:4), it fails to
25 allege facts to support these claims.

26 As it relates to prior use of “STONES,” MillerCoors alleges that “[s]tarting in
27 at least 1995 [...] [a] case of 30 Keystone beers became a case of 30 ‘STONES.’”
28 (Answer/CC at 12:25-13:2.) In supposed support, MillerCoors submits an image of

1 “Keystone Light Outer Packaging” from 1995 (hereinafter, the “1995 Packaging
2 Artwork”) as evidence of use of the “STONES” mark prior to Stone’s April 1996
3 application date. (*Id.* at 13:3-17.) This image is insufficient to adequately allege
4 prior use of “STONES.” MillerCoors represented to the PTO that its first use date of
5 the “STONES” Mark was February 2004, thus any claim to a preceding first use date
6 is subject to the heightened standard of clear and convincing.⁵ (Hagey Decl. at Exs.
7 4-5). Yet, aside from the bare bone conclusory allegation that it used the mark “in at
8 least 1995,” MillerCoors only supplies an image of 1995 Packaging **Artwork**. First,
9 not only does MillerCoors fail to supply an image of packaging in commerce,
10 MillerCoors fails to even allege that this packaging was used in commerce.
11 (Answer/CC at 12:25-13:17.) Second, the 1995 Packaging Artwork only reflects the
12 phrase “30 ‘STONES,” which is distinct from a claim of use of “STONES.”⁶ (*Id.*).
13 In fact, MillerCoors concedes that the alleged mark is to the entire phrase “30
14 ‘STONES”—“[a] case of 30 Keystone beers became a case of 30 ‘STONES.” (*Id.* at
15 13:1-2.) As such, MillerCoors fails to allege sufficient facts to plausibly establish
16 prior use of “STONES” Mark so as to survive dismissal.

17 Similarly, as it relates to “STONE”, MillerCoors only pleads “[u]pon
18 information and belief” that it used the term “as early as 1992-1993.” (Answer/CC at
19 14:1.) Yet, in supposed support, MillerCoors can only point to a July 1996
20 newspaper advertisement which shows “STONE”, and which postdates Stone’s
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22

23 ⁵ The preface of “[a]t least as early as” to a first use date disclosed in a trademark application “does
24 not mitigate the increased burden upon the applicant if that originally asserted date is too late to
25 prevail against an opposer.” *Hydro-Dynamics Inc.*, 811 F.2d at 1473. MillerCoors’ use of this
preface in its 2007 “STONES” Application subjects its prior use argument to the heightened
pleading standard of clear and convincing evidence.

26 ⁶ MillerCoors’ allegation of prior use of the “STONES” Mark by nature of “30 ‘STONES”
27 contravenes the anti-dissection rule—“The commercial impression of a trademark is derived from it
28 as a whole, not from its elements separated and considered in detail. For this reason, it should be
considered in its entirety.” *Estate of P. D. Beckwith, Inc. v. Commissioner of Patents*, 252 U.S.
538, 545–46 (1920); *see also*, 5 McCarthy on Trademarks and Unfair Competition § 23:41 (5th
ed.).

1 registration by three (3) months. (*Id.* at 14:2-14.) As such, it is insufficient to
2 plausibly allege MillerCoors' prior use of "STONE."

3 **2. MillerCoors Fails to Allege Continuous Use**

4 Even if MillerCoors had plausibly alleged prior use of the "STONE" marks, it
5 fails to satisfy the continuous use requirement. This requirement is "strict," and in
6 order to be continuous "the use must be maintained without interruption." *Spin*
7 *Master, Ltd. v. Zobmondo Entertainment, LLC*, 944 F. Supp. 2d 830, 851 (C.D. Cal.
8 2012) (internal quotation omitted). "Even short periods of nonuse can break the
9 chain of continuous use." *Id.* (citing *Casual Corner*, 493 F.2d at 712 (senior user's
10 "failure to use the mark for the one-year period prevents it from claiming that it falls
11 within the exception of section 1065 requiring a continuing use"))).

12 Though MillerCoors alleges in a conclusory manner that it has "continuously
13 used STONE or STONES" in Keystone advertising, packaging, and promotional
14 materials since "at least 1995" (Answer/CC at 27:27-28:4.), it fails to allege facts to
15 support the claim that the use was continuous. Indeed, following the 1996
16 newspaper advertisement, MillerCoors does not specifically allege another use of
17 STONE until a 2011 advertisement using the phrase HOLD MY STONES. (*Id.* at
18 18:15-16.) Again, after 2013, MillerCoors does not specifically allege another use of
19 the "STONE" marks until 2015. (Answer/CC at 19:4-7, 20-21). Because the failure
20 to use a mark for a period as short as one year is enough to defeat a claim of
21 continuous use, (*Casual Corner*, 493 F.2d at 712), MillerCoors must do more than
22 allege that, between 1996 and 2011, it used *one mark or the other* "continuously."
23 Rather, MillerCoors must allege facts demonstrating its unbroken use of the STONE
24 mark during that time. MillerCoors fails to do so, and the "continuous use"
25 requirement is therefore unsatisfied as well.

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3. MillerCoors Fails to Allege, and in Fact, Affirmatively Denies, Likelihood of Confusion

1
2 Finally, even if MillerCoors had alleged prior and continuing use of the
3 “STONE” marks, its claim to an “exclusive common law right” would still fail as a
4 matter of law because MillerCoors does not specifically plead likelihood of
5 confusion. In fact, such an allegation would contradict MillerCoors’ repeated
6 allegation that there is no confusion.

7 The territory in which a senior user has exclusive rights to use a mark is
8 limited to those areas in which a junior user’s use of the mark is likely to cause
9 confusion. *Dorpan, S.L. v. Hotel Melia, Inc.*, 728 F.3d 55, 63-64 (1st Cir. 2013) (“In
10 this context, the geographic area in which an unregistered trademark is ‘in use’ is
11 defined as the area in which the use of similar mark would create a likelihood of
12 confusion.”) (citing 5 *McCarthy on Trademarks & Unfair Competition* § 26:27 (4th
13 ed.) (“The touchstone of the determination of a trade area is likelihood of
14 confusion.”)); see also *Brookfield Comm’ns v. West Coast Entertainment*, 174 F. 3d
15 1036, 1047 (9th Cir. 1999) (senior user “has the right to enjoin ‘junior’ users from
16 using confusingly similar marks in the same industry and market”). In other words,
17 the senior user’s area of prior use is defined by likelihood of confusion with the
18 junior user’s mark. By definition, a senior user cannot allege an exclusive common-
19 law right to use a trademark without alleging that confusion is likely.

20 Here, not only does MillerCoors fail to allege that Stone’s use of its STONE®
21 mark would cause confusion, it affirmatively denies that consumers could be
22 confused between Stone’s STONE® and Keystone beers. (*E.g.*, Answer/CC at 7:7-8
23 (“there is no confusion between these very different types of beers and the different
24 consumers who drink them”); *id.* at 8:1-15 (“Nor would any beer drinker actually be
25 confused between these two beers,” listing reasons why there is no likelihood of
26 confusion); *id.* at 16:19-21 (MillerCoors’ lawyer “disputed that there was any
27 confusion between Keystone and Stone Brewing’s beer”); *id.* at 65:20-21 (denying
28 that Keystone’s rebrand is “likely to cause confusion of any sort”).)

1 Because MillerCoors denies any possibility of confusion caused by Stone’s
 2 use of its STONE® mark, it has failed to allege the vital element of its claim of a
 3 senior common law right to the STONE® Mark. *Dorpan*, 728 F.3d at 63-64;
 4 *Brookfield*, 174 F. 3d at 1047. MillerCoors’ counterclaim for a declaration that it has
 5 an exclusive common law right to use the STONE® mark in connection with beer
 6 therefore fails as a matter of law and must be dismissed.

7 **B. MillerCoors’ Delay in Bringing its 21-Year-Old “Common Law”**
 8 **Counterclaim is Fatal**

9 Even if MillerCoors had sufficiently alleged the necessary facts to plausibly
 10 establish senior common law rights to the STONE® Mark, MillerCoors’ failure to
 11 allege any facts as to excuse its delay in asserting these rights is fatal to this
 12 Counterclaim.⁷ MillerCoors’ 20-year delay in asserting supposedly senior (but
 13 completely unknown and unrecognized) common law rights to the STONE® Mark is
 14 unreasonable and should be dismissed. *See Bridgestone/Firestone Research Inc. v.*
 15 *Automobile Club De L’Quest De La France* 245 F.3d 1359, 1362 (Fed. Cir. 2001)
 16 (the “Trademark Act establishes various events in the life of a registered trademark
 17 which impact upon adverse claimant, from which events action could be taken and
 18 thus from which the period of delay may be measured,” including “registration on
 19 the principal register” and “incontestability of the registrant’s right to use the
 20 trademark.”). *See also Baby Trend, Inc. v. Playtex Prod., LLC*, No. 5:13-CV-647-
 21 ODW RZX, 2013 WL 4039451, at *1 (C.D. Cal. Aug. 7, 2013) (dismissing
 22 infringement suit for failure to bring claim within statute of limitations); *Solow Bldg.*
 23 *Co., LLC v. Nine W. Grp., Inc.*, No. 00 CIV. 7685 (DC), 2001 WL 736794, at *1
 24 (S.D.N.Y. June 29, 2001), *aff’d sub nom. Solow Bldg. Co., LLC v. Nine W. Grp., Inc.*,
 25 48 F. App’x 15 (2d Cir. 2002) (dismissing infringement claims where plaintiff’s
 26 unreasonable delay in bringing suit was apparent from the face of the complaint).

27 ⁷ The situation would be different had Defendant registered a federal trademark for the name, or
 28 opposed Stone’s notorious and continuous use, i.e., assuming that Defendant ever even attempted
 to use the term as a trademark before 2017, which it did not.

1 MillerCoors was on constructive notice of Stone's STONE® Mark on June 23,
 2 1998 (registration date). MillerCoors then was on actual notice of Stone's STONE®
 3 Mark on Dec. 3, 2007, the date the PTO informed MillerCoors that its "STONES"
 4 application was being rejected on the express basis that it was confusingly similar to
 5 Stone's STONE® Mark. (Hagey Decl. at Ex. 6). Yet, MillerCoors made no effort to
 6 assert senior common law rights. And six (6) months later, the PTO accepted the
 7 STONE® Mark incontestable. (Hagey Decl. at Exs. 2-3). Only now, in 2018, is
 8 MillerCoors claiming exclusive United States-wide rights. Yet, MillerCoors fails to
 9 allege any facts as to combat the facial unreasonableness of this delay. As such, this
 10 counterclaim should be deemed stale and dismissed.

11 **III. LEAVE TO AMEND SHOULD BE DENIED**

12 Where, as here, the claims are defective as a matter of law and cannot be
 13 amended to state a claim, leave to amend is futile and should be denied. See e.g.,
 14 *Cook, Perkiss and Liehe, Inc. v. Northern California Collection Service Inc.*, 911
 15 F.2d 242, 247 (9th Cir. 1990) (where the defects in the complaint could not be cured
 16 by allegations of other facts, dismissal without leave to amend is proper).

17 **CONCLUSION**

18 For the foregoing reasons, Defendant MillerCoors' Counterclaims should be
 19 dismissed with prejudice.

20
 21 Dated: May 8, 2018

Respectfully Submitted,

22 BRAUNHAGEY & BORDEN LLP

23 By: s/ J. Noah Hagey

24 J. Noah Hagey

25 *Attorneys for Stone*

26 *Stone Brewing Co., LLC*

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CERTIFICATE OF SERVICE

I certify that on May 8, 2018, a true and correct copy of this document was filed electronically through the Court’s e-filing electronic notice system to the attorney(s) associated with this case. If electronic notice is not indicated through the court’s ECF system, then a true and correct paper copy of this document will be served by mail.

Dated: May 8, 2018

By: /s/ J. Noah Hagey
J. Noah Hagey