IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

THE WEATHER UNDERGROUND, INC.,
a Michigan corporation,

Plaintiff,

vs.

Case No. 2:09-CV-10756
Hon. Marianne O. Battani

NAVIGATION CATALYST SYSTEMS, INC.,
a Delaware corporation; BASIC FUSION, INC.,
a Delaware corporation; CONNEXUS CORP.,
a Delaware corporation; and FIRSTLOOK, INC.,
a Delaware corporation,

Defendants.

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NAVIGATION CATALYST SYSTEMS, INC.'S REPLY MEMORANDUM IN SUPPORT OF OBJECTIONS TO MAGISTRATE JUDGE'S ORDER DENYING DEFENDANT'S MOTION FOR LEAVE TO FILE COUNTERCLAIM (DOCKET NO. 77)

REPLY MEMORANDUM

I. MAGISTRATE JUDGE'S RULING THAT NCS'S PROPOSED COUNTERCLAIM FOR CANCELLATION OF THE WEATHER STICKER MARK WOULD BE FUTILE BECAUSE NCS LACKS STANDING IS CONTRARY TO LAW.

In its response to NCS's Objections ("Resp."), Plaintiff argues that the Magistrate Judge's legal conclusion that NCS lacks standing to bring a counterclaim for cancellation of the WEATHER STICKER mark and that its proposed counterclaim would therefore be futile is supported by law because NCS has failed to establish any of the requirements for standing set forth in *A.V. Brands, Inc. v. Spirits Int'l, B.V.*, 2009 WL 1068777 (T.T.A.B. Mar. 31, 2009). (Resp. at 5-6.) Plaintiff's argument fails because the standards set forth in the non-precedential TTAB decision of *A.V. Brands* are contrary to modern, controlling trademark law.

A. NCS HAS STANDING TO PURSUE CANCELLATION OF THE WEATHER STICKER TRADEMARK.

To establish standing in a cancellation proceeding, "*[a]ll the Lanham Act requires* is that the cancellation petitioner plead and prove facts showing a 'real interest' in the proceeding." *International Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1092 (Fed. Cir. 1984) (emphasis added).[1] Plaintiff, relying on *A.V. Brands*, seeks to impose a slew of additional requirements to establish standing, including proof of petitioner's use or bona fide intent to use the trademark at issue. (Resp. at 5.) But *A.V. Brands* is not a precedent of the TTAB, as stated clearly at the top of the case, and thus "can not legally be considered or cited in these proceedings." *Carlsbad v. Shah*, 666 F.Supp.2d 1159, 1165 n.6 (S.D. Cal. 2009). Plaintiff's repeated assertions that "NCS has never provided any proof of use, or even a bona fide intent to

[1] Contrary to Plaintiff's assertion, NCS has nowhere "acknowledged" that "a party must have a real commercial interest in use of the mark" to establish standing. (Resp. at 5.) All the law requires is a "real interest" in the cancellation proceeding. (NCS's Objections to Magistrate Judge's Order ("Objections" or "Obj.") at 8.)

use . . . WEATHER STICKER" are therefore irrelevant to the standing inquiry. (Resp. at 3-5.) For this same reason, the Magistrate Judge's conclusion that NCS does not have standing based, in part, on its finding that "defendant does not appear to have used the mark in any domain names at issue, or in any domain names at all" is contrary to law. (Order at 3.)

In its Objections, NCS showed that it has a "real interest" in pursuing cancellation of the WEATHER STICKER mark because Plaintiff's allegations in the Complaint clearly put the validity of that mark at issue.[2] In an attempt to downplay those allegations, Plaintiff disingenuously states that it included the WEATHER STICKER mark as "background information" in the Complaint. (Resp. at 6.) But Plaintiff does not – and indeed cannot – dispute that it alleged in the Complaint that NCS has infringed or otherwise harmed the WEATHER STICKER mark.[3] (Obj. at 9.) Nor does Plaintiff dispute that it has asked the Court to enjoin NCS from registering any domain name incorporating or similar to that mark. (*Id.*)

Having been accused of infringing the WEATHER STICKER mark, NCS has a "real interest" and thus standing to pursue cancellation. *See, e.g., Triple-I Corp. v. Hudson Assocs. Consulting, Inc.*, 2009 WL 2162513, at *3 (D. Kan. July 17, 2009) ("Triple-I's belief that it will be damaged due to the KMPro parties threat of litigation is sufficient to assert a 'real interest' [in cancellation proceedings]."). Indeed, Plaintiff does not dispute that "in the context of trademark infringement actions, counterclaims for declaratory relief are presumptively appropriate." *Holley Performance Prods., Inc. v. Quick Fuel Tech., Inc.*, 624 F.Supp.2d 610, 613 (W.D. Ky. 2008);

[2] Plaintiff's citation of *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024 (C.C.P.A. 1982), as "reject[ing] the premise that a petitioner should be found to have standing by virtue of its complaint alone" is inapposite. (Resp. at 6.) In using the term "complaint," the court was referring to the cancellation petition, *not* the operative complaint. *Lipton.*, 670 F.2d at 1028 ("[A]ppellee is not entitled to standing solely because of the allegations in its petition.").

[3] Plaintiff even admits that its Complaint "included all trademarks registered by Plaintiff at the time of the Complaint, including WEATHER STICKER." (Resp. at 3.)

see also Obj. at 10 (quoting *Syntex (U.S.A.) Inc. v. E.R. Squibb & Sons Inc.*, 1990 WL 354501, 14 U.S.P.Q.2d 1879 (T.T.A.B. Mar. 22, 1990)). Thus, the Magistrate Judge's finding that "the trademarks at issue . . . do not include the WEATHER STICKER trademark" is clearly erroneous. Moreover, the Magistrate Judge's subsequent conclusions that "defendant does not have a real interest in the WEATHER STICKER trademark" and that NCS's proposed counterclaim "would be futile given defendants' lack of standing" are contrary to law.

In its Response, Plaintiff also asserts that NCS "repeatedly argues that the mark has become descriptive and is thus subject to cancellation" and NCS's proposed counterclaim would not survive a motion to dismiss because "incontestable marks are not subject to cancellation based upon descriptiveness." (Resp. at 8.) But Plaintiff conveniently and notaby fails to mention that NCS has argued that the WEATHER STICKER mark is not valid because it has become **generic**. (NCS's Mot. for Leave to File a Countercl. ("Mot.") at 10-11); NCS's Reply Mem. in Supp. of Mot. at 4-5.) Indeed, 15 U.S.C. § 1064(3) provides that a petition for cancellation may be filed "[a]t any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered." 15 U.S.C.A. § 1064(3).[4] Thus, NCS's proposed counterclaim would indeed survive a motion to dismiss and Plaintiff's argument that NCS lacks standing fails for yet another reason.

B. THE MAGISTRATE JUDGE APPLIED AN OUTDATED AND INCORRECT STANDARD IN FINDING THAT NCS LACKED STANDING.

Plaintiff argues in its Response that the Magistrate Judge correctly relied on *Goheen Corp. v. White Co.*, 126 F.2d 481 (1942), in finding that NCS lacked standing to petition for

[4] S*ee also* 15 U.S.C.A. § 1065(4) (providing that "no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered").

cancellation. (Resp. at 7.) But Plaintiff fails to reconcile *Goheen*, a case over 65 years old, with more modern trademark law, which requires only that a petitioner demonstrate a "real interest" in the cancellation proceeding to establish standing. (Obj. at 8 (citing cases).)[5]

For example, in *Department of Transportation, FAA v. Scanwell Laboratories, Inc.*, 1971 WL 16760, 170 U.S.P.Q. 174, 176 (T.T.A.B. 1971), the TTAB held that the FAA had standing to petition for cancellation of a trademark registration for antennas, even though the FAA "does not manufacture antennas but is merely a purchaser of such goods." 170 U.S.P.Q. at 176. Based on the reasoning in *Goheen*, however, the FAA would *not* have standing for that very reason – because it did not "use[] the mark on any kind of goods similar to those of [the registrant antenna manufacturer], nor [did] it disclose a statement of facts in said petition showing that it intended to use . . . that term descriptively on any product similar to that of [the registrant]." *Goheen*, 126 F.2d at 484. Indeed, *Goheen* cannot be reconciled with any of the cases granting standing to government agencies and trade associations.[6] (Obj. at 13.) Thus, the Magistrate Judge's reliance on *Goheen* in concluding that NCS lacked standing to seek cancellation of the WEATHER STICKER mark is contrary to law.

II. THE MAGISTRATE JUDGE'S RULING THAT NCS UNDULY DELAYED IN FILING THE MOTION IS CLEARLY ERRONEOUS

In its Response, Plaintiff argues that the Magistrate Judge's conclusion that NCS "unduly delayed" in filing the Motion is not clearly erroneous because NCS filed it "[m]ore than 14 months" after Plaintiff filed this action and "NCS had actual notice of the WEATHER STICKER

[5] *Lipton* did not set forth an exhaustive list of "classes of entities with standing." (Resp. at 7.) Rather, the court was providing examples where it "ha[d] found standing based on widely diverse interests." *Lipton*, 670 F.2d at 1029.

[6] *C.f. Tanners' Council of Amer., Inc. v. Gary Indus., Inc.*, 440 F.2d 1404, 1406 (C.C.P.A. 1971) (holding that trade association had standing to oppose mark's registration where fact that registration "could weaken the sales positions of [its] members and hence reduce [its] income" was a "real interest" and "alone sufficient" to confer standing).

mark" when the Complaint was filed in January 2009.[7] (Resp. at 2, 9.) This argument is fatally flawed because the relevant inquiry is when NCS became aware of its potential counterclaim for cancellation of the WEATHER STICKER mark, not when NCS became aware of the mark. Because NCS identified its potential counterclaim only after reviewing documents produced by Plaintiff in late March and April 2010 and deposing Christopher Schwerzler, a Director of Plaintiff, on April 29, 2010, the Magistrate Judge's finding that NCS unduly delayed in filing its Motion (on May 10, 2010) is clearly erroneous. (Obj. at 7, 15-16 (citing cases).)

Plaintiff also argues that it will "undoubtedly be prejudiced" by additional discovery and expert witnesses. (Resp. at 10.) But this Court has previously rejected similar arguments: The "complaint that [the party opposing amendment] will be prejudiced by the increased burden and costs associated with defending these additional claims is to no avail." *In re Cardizem CD Antitrust Litig.*, 2000 WL 33180833, at *3 (E.D. Mich. Sept. 21, 2000).

IV. Conclusion

Plaintiff's Response has merely confirmed the errors in the Magistrate Judge's Order. NCS respectfully requests that the Court reverse the Magistrate Judge's Order and grant leave to permit NCS to file a counterclaim for cancellation of the WEATHER STICKER mark.

RESPECTFULLY SUBMITTED this 19h day of July, 2010.

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[7] Plaintiff's allusion to a 14-month delay is disingenuous, as NCS only filed its answer on January 22, 2010.

CERTIFICATE OF SERVICE

I hereby certify that on July 19, 2010, I electronically filed the foregoing paper with the Court using the ECF system which will send notification of such filing to the following:

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