

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.

Enrico Schaefer (P43506)
Brian A. Hall (P70865)
TRAVERSE LEGAL, PLC
810 Cottageview Drive, Unit G-20
Traverse City, MI 49686
231-932-0411
enrico.schaefer@traverselegal.com
brianhall@traverselegal.com
Lead Attorneys for Plaintiff

Anthony P. Patti (P43729)
HOOPER HATHAWAY, PC
126 South Main Street
Ann Arbor, MI 48104
734-662-4426
apatti@hooperhathaway.com
Attorneys for Plaintiff

William A. Delgado (*pro hac vice*)
WILLENKEN WILSON LOH & LIEB LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants

Nicholas J. Stasevich (P41896)
Benjamin K. Steffans (P69712)
BUTZEL LONG, P.C.
150 West Jefferson, Suite 100
Detroit, MI 48226
(313) 225-7000
stasevich@butzel.com
steffans@butzel.com
Local Counsel for Defendants

**NAVIGATION CATALYST SYSTEMS, INC.'S MOTION FOR LEAVE TO FILE A
COUNTERCLAIM**

NOTICE OF MOTION AND MOTION FOR LEAVE TO FILE A COUNTERCLAIM

TO THIS HONORABLE COURT, ALL PARTIES, AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT, pursuant to Fed. R. Civ. P. 15(a)(2), Defendant Navigation Catalyst Systems, Inc. hereby moves this Court for leave to file a counterclaim for cancellation of Plaintiff's trademark WEATHER STICKER.

This Motion is based on the facts and arguments set forth in the accompanying Memorandum of Points and Authorities; to wit, that justice requires that leave be freely given since there was no undue delay in filing this motion, there is no bad faith, there is no legal prejudice to Plaintiff, and the counterclaim would not be futile because NCS has a good faith argument that the phrase "weather sticker" has become descriptive and/or generic, warranting cancellation.

This Motion is supported by the attached Memorandum of Points and Authorities, the Declaration of William A. Delgado filed concurrently herewith and the exhibits thereto, the case file, and the arguments of counsel that the Court would entertain at a hearing on this motion.

The parties met and conferred on May 4, 2010. NCS explained the nature of the motion, its legal basis and requested, but has not obtained, concurrence in the relief sought.

RESPECTFULLY SUBMITTED this 10th day of May, 2010.

/s/William A. Delgado

William A. Delgado (admitted *pro hac vice*)
WILLENKEN WILSON LOH & LIEB, LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants

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.

Enrico Schaefer (P43506)
Brian A. Hall (P70865)
TRAVERSE LEGAL, PLC
810 Cottageview Drive, Unit G-20
Traverse City, MI 49686
231-932-0411
enrico.schaefer@traverselegal.com
brianhall@traverselegal.com
Lead Attorneys for Plaintiff

Anthony P. Patti (P43729)
HOOPER HATHAWAY, PC
126 South Main Street
Ann Arbor, MI 48104
734-662-4426
apatti@hooperhathaway.com
Attorneys for Plaintiff

William A. Delgado (*pro hac vice*)
WILLENKEN WILSON LOH & LIEB LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants

Nicholas J. Stasevich (P41896)
Benjamin K. Steffans (P69712)
BUTZEL LONG, P.C.
150 West Jefferson, Suite 100
Detroit, MI 48226
(313) 225-7000
stasevich@butzel.com
steffans@butzel.com
Local Counsel for Defendants

MEMORANDUM OF POINTS AND AUTHORITIES

Statement of the Issues Presented

Defendant Navigation Catalyst Systems, Inc. (“NCS”) seeks to assert a counterclaim for cancellation of Plaintiff’s trademark WEATHER STICKER on the basis that the term “weather sticker” has become descriptive or generic for any graphic or banner that presents weather information on a website, as further described in the draft counterclaim attached as Exhibit 1 to the Declaration of William A. Delgado, dated May 10, 2010, filed concurrently herewith (“Delgado Decl.”).

The issue presented in this Motion is whether leave should be granted to permit NCS to assert this counterclaim.

Controlling Authority

The controlling authority for this motion is Fed. R. Civ. P. 15(a)(2). Prior to the 2009 Amendments, Rule 13(f) would have governed but that sub-section was abrogated in the 2009 Amendments to the Federal Rules of Civil Procedure. In their notes, the drafters noted:

Rule 13(f) is deleted as largely redundant and potentially misleading. An amendment to add a counterclaim will be governed by Rule 15. Rule 15(a)(1) permits some amendments to be made as a matter of course or with the opposing party's written consent. When the court's leave is required, the reasons described in Rule 13(f) for permitting amendment of a pleading to add an omitted counterclaim sound different from the general amendment standard in Rule 15(a)(2), but seem to be administered--as they should be--according to the same standard directing that leave should be freely given when justice so requires.

I. Introduction

As discovery in this matter has progressed, NCS has discovered a potential counterclaim for the cancellation of Plaintiff's trademark, WEATHER STICKER. Specifically NCS has discovered that the phrase "weather sticker" has become descriptive/generic for purposes of describing *any* banner or graphic on a website that provides weather information as opposed to the sole identifier of such a graphic from Plaintiff. When a mark becomes descriptive and/or generic, cancellation of the mark (even if that mark is incontestable) is appropriate. Thus, NCS is seeking to assert a counterclaim for cancellation of WEATHER STICKER on the basis that it has become descriptive and/or generic.

As explained, below, NCS's Motion for Leave to file this counterclaim should be granted because it is in the interests of justice. NCS has not delayed in bringing this claim; the claim is not in bad faith or futile; and Plaintiff would not be unfairly prejudiced by the counterclaim particularly since the issue of whether WEATHER STICKER is descriptive/generic will be litigated irrespective of whether this Motion is granted. Indeed, permitting this counterclaim to proceed in this lawsuit would conserve resources as it would avoid the filing of a cancellation proceeding with the United States Patent and Trademark Office that would be duplicative of the issues to be litigated in this case.

For these reasons, NCS's Motion should be granted.

II. Statement of Facts

Plaintiff filed this action against NCS (and other, now-dismissed defendants) alleging various trademark causes of action pursuant to the Lanham Act. In its complaint, Plaintiff alleges that it is the owner of various trademarks infringed, diluted, or otherwise harmed by

NCS. Among the marks that Plaintiff alleges that it owns and which has been asserted by Plaintiff in its complaint against NCS is the mark, WEATHER STICKER.

On January 13, 2010, a Scheduling Order was entered in this matter, and both parties proceeded to engage in discovery. As part of that process, NCS issued a First Set of Requests for Production and a First Set of Interrogatories on January 21, 2010. Plaintiff provided written responses on February 22, 2010. Plaintiff then produced documents on March 22, 2010, April 12, 2010, and April 26, 2010. Delgado Decl. at ¶ 2. The deposition of Christopher Schwerzler, a Director at Plaintiff, took place on April 29, 2010. Delgado Decl. at ¶ 3.

Based on the documents provided by Plaintiff, investigation by NCS thereon, and the deposition testimony of Mr. Schwerzler, NCS believes it has a good-faith counterclaim for cancellation of the WEATHER STICKER mark and met and conferred with Plaintiff's counsel about this motion on May 4, 2010. Delgado Decl. ¶ 4. NCS's proposed counterclaim, attached as Exhibit 1 to the Delgado Declaration, is for cancellation of the WEATHER STICKER trademark based on the proposition that it has become descriptive and/or generic. *See* Delgado Decl. at Ex. 1 and Exhibits to Proposed Counterclaim.

III. Argument

I. LEAVE TO AMEND SHOULD BE FREELY GIVEN IN THE INTERESTS OF JUSTICE.

Fed. R. Civ. P. 15(a)(2) allows for amendments that are not "as a matter of course" upon leave of court. It provides that "[t]he court should freely give leave when justice so requires."

One Michigan court explains:

With regard to leave to amend under Rule 15(a), the Supreme Court has made it clear for nearly five decades that the rule means what it says and that leave to amend should be granted in the absence of a good reason to the contrary. *Foman v. Davis*, 371 U.S. 178, 182, 83 S.Ct. 227, 9 L.Ed.2d 222 (1962). Among the factors recognized by the Sixth Circuit as justifying denial of leave to amend under Rule 15(a) are undue delay in filing, bad faith by the moving party, repeated failure to cure deficiencies by previous amendments, undue prejudice to the opposing party, and futility of amendment. *See Commercial Money Center, Inc. v. Illinois Union Ins. Co.*, 508 F.3d 327, 346 (6th Cir.2007); *see also Pittman ex rel. Sykes v. Franklin*, 282 F. Appx. 418, 425 (6th Cir.2008) (citing *Wade v. Knoxville Utilities Bd.*, 259 F.3d 452, 458-59 (6th Cir.2001)).

Croskey v. Union Security Ins. Co., 2009 WL 3401162 *1 (W.D. Mich.). And, as this Court has noted in the past, “[w]hen there is a lack of prejudice to the opposing party and the amended complaint is obviously not frivolous, or made as a dilatory maneuver in bad faith, it is abuse of discretion to deny [the] motion.’ *Hurn v. Retirement Fund Trust of Plumbing, Heating & Piping Indus. of S. Cal.*, 648 F.2d 1252, 1254 (9th Cir.1981). In short, courts should construe liberally Rule 15(a) in favor of permitting amendment. *See Greenberg v. Life Ins. Co. of Va.*, 177 F.3d 507, 522 (6th Cir.1999); *Marks v. Shell Oil Co.*, 830 F.2d 68, 69 (6th Cir.1987).” *Horacek v. Seaman*, 2009 WL 2928546 *13 (E.D. Mich.) (J. Battani). Here, each of these factors favors the granting of leave to file the counterclaim.

First, there has been no undue delay in seeking leave to file the counterclaim. Prior to the initiation of adverse proceedings against it, NCS was not aware of Plaintiff or its marks and is

not even in the same commercial arenas as Plaintiff. Plaintiff is a provider of weather services; Defendant is a registrant of domain names. Thus, at the time the answer was filed, NCS had no reason to know of Plaintiff's use of WEATHER STICKER, the third party use of the phrase "weather sticker," or NCS's potential challenge to the mark. But, once Plaintiff produced documents (in late March and April 2010) and Chris Schwerzler was deposed (on April 29, 2010), NCS identified the potential counterclaim. NCS's counsel met and conferred with Plaintiff's counsel regarding this motion within three (3) business days of the Schwerzler deposition. This motion followed shortly thereafter and within less than two (2) months from when Plaintiff started producing documents in this matter and within two (2) weeks of its latest production. Moreover, the Court has not yet set any deadlines for amending the pleadings, filing dispositive motions, or trial. And, discovery is still ongoing (and likely to have been extended at the request of Plaintiff by the time this motion is heard). Thus, there has been no "undue delay" on NCS's part. This motion followed immediately on the heels of discovering the potential counterclaim.

Second, there is no bad faith on the part of NCS. As part of its *prima facie* case, Plaintiff will have to establish that its marks are valid (i.e., not descriptive or generic), but NCS can defend itself by showing that Plaintiff's marks are *not* valid because they *are* descriptive or generic. *Cf. SMC Promotions, Inc. v. SMC Promotions, et al.*, 355 F. Supp. 2d 1127, 1133 (C.D. Cal. 2005). NCS intends to make such a showing. As can be seen from the draft counterclaim, various third parties use the phrase "weather sticker" as a descriptive and/or generic phrase, not as a source indicator of a banner originating solely from Plaintiff. *See* Exhibit 1 to Delgado Decl.

Notably, when a registered mark has become descriptive and/or generic, cancellation of the registration is appropriate. *See, e.g., Hickory Farms, Inc. v. Snackmasters, Inc.*, 500 F. Supp. 2d 789 (N.D. Ill. 2007) (granting motion for summary judgment on counterclaim that registered marks had become generic and ordering cancellation). Indeed, even an incontestable mark such as WEATHER STICKER is subject to cancellation if it become descriptive or generic. *Brittingham v. Jenkins*, 914 F.2d 447, 453 (4th Cir.1990) (“Moreover, an incontestable registration is subject to cancellation if the trademark becomes a common descriptive term or generic name for an item.”) *citing* 15 U.S.C. §§ 1064(3) and 1065(4). As a result, it is not in “bad faith” for NCS to seek the remedy of cancellation if it can show that WEATHER STICKER is, in fact, descriptive or generic. To the contrary, cancellation is a naturally flowing remedy from a determination of descriptiveness/genericness.

Third, there would be no unfair legal prejudice to Plaintiff in permitting this amendment. Even if this motion were denied, NCS still has the right to introduce evidence that WEATHER STICKER is descriptive or generic, so Plaintiff will still have to address these arguments regardless. And, of course, it would conserve the resources of the parties and the court for NCS’s cancellation claim to be heard as part of *this* case since the issue of validity is already going to be at issue. Otherwise, NCS would have to file a second proceeding for cancellation before the U.S. Patent and Trademark Office, and the parties would simply be engaging in two different, simultaneous proceedings with a significant amount of factual and legal overlap.

Fourth, the counterclaim would not be futile. As explained, above, if NCS shows that WEATHER STICKER has become descriptive or generic, this Court has the power to order cancellation of that mark. Thus, NCS’s proposed counterclaim is entirely proper. *See, e.g.,*

Innovation Ventures, LLC v. N.V.E., Inc., 2009 WL 5166195 *1 (E.D.Mich.) (“The Court granted Defendant's motion to add a counterclaim for the cancellation of Plaintiff’s trademark because (1) the Court has the power under 15 U.S.C. § 1119 to “determine the right to registration [and] order the cancellation of registrations, in whole or in part”; (2) *Lackner Co. v. Quehl Sign Co.*, 145 F.2d 932, 934 (6th Cir.1944) permits a defendant to attack the validity of a patent; and (3) the present action “involves” a registered mark.”). Thus, NCS’s counterclaim for cancellation would not be futile.

IV. Conclusion

NCS respectfully submits that there is no good reason for denying this Motion for Leave. For the foregoing reasons, NCS respectfully requests that its Motion for Leave to File a Counterclaim be granted.

RESPECTFULLY SUBMITTED this 10th day of May, 2010.

/s/William A. Delgado

William A. Delgado (admitted *pro hac vice*)
WILLENKEN WILSON LOH & LIEB, LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants

CERTIFICATE OF SERVICE

I hereby certify that on May 10, 2010, I electronically filed the foregoing paper with the Court using the ECF system which will send notification of such filing to the following:

Enrico Schaefer (P43506)
Brian A. Hall (P70865)
TRAVERSE LEGAL, PLC
810 Cottageview Drive, Unit G-20
Traverse City, MI 49686
231-932-0411
enrico.schaefer@traverselegal.com
brianhall@traverselegal.com
Lead Attorneys for Plaintiff

Anthony P. Patti (P43729)
HOOPER HATHAWAY, PC
126 South Main Street
Ann Arbor, MI 48104
734-662-4426
apatti@hooperhathaway.com
Attorneys for Plaintiff

Nicholas J. Stasevich (P41896)
Benjamin K. Steffans (P69712)
BUTZEL LONG, P.C.
150 West Jefferson, Suite 100
Detroit, MI 48226
(313) 225-7000
stasevich@butzel.com
steffans@butzel.com
Local Counsel for Defendants

William A. Delgado (admitted *pro hac vice*)
WILLENKEN WILSON LOH & LIEB LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants

/s/William A. Delgado

William A. Delgado (admitted *pro hac vice*)
WILLENKEN WILSON LOH & LIEB, LLP
707 Wilshire Boulevard, Suite 3850
Los Angeles, CA 90017
(213) 955-9240
williamdelgado@willenken.com
Lead Counsel for Defendants