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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PLAINTIFF'S RESPONSE TO NAVIGATION CATALYST SYSTEM INC.'S OBJECTIONS TO MAGISTRATE'S ORDER DENYING DEFENDANT'S MOTION FOR LEAVE TO FILE COUNTERCLAIM (DOCKET #77)

I. Introduction

More than 14 months after Plaintiff filed the present lawsuit and after Defendant had confirmed in its responsive pleadings and discovery responses that it had not made use of, and had no bona fide intent to make a use of, WEATHER STICKER, Defendant filed a Motion for Leave to File a Counterclaim with this Court, which, if granted, would allow Defendant to petition this Court to cancel Plaintiff's incontestable, registered trademark for WEATHER STICKER on the grounds that the mark is generic. Having read both Plaintiff's and Defendant's briefs and having heard oral argument concerning Defendant's Motion for Leave to File Counterclaim ("Motion"), Magistrate Judge Morgan denied Defendant's Motion. Magistrate Judge Morgan stated in her Order Denying Defendant's Motion for Leave to File Counterclaim (D/E #77) that "defendants have unduly delayed in filing this motion and the proposed counterclaim would be futile given defendants' lack of standing." (Docket #90) (hereinafter "Order", at 2). Magistrate Judge Morgan's Order went on to state "defendant does not have a real interest in the WEATHER STICKER trademark." (Order at 3).

Defendant's Objection should be DENIED, and Defendant should not be permitted to file a counterclaim to cancel WEATHER STICKER.

II. Statement of Facts

Plaintiff filed its Complaint against Defendant Navigation Catalyst Systems, Inc. ("NCS") on February 26, 2009. Plaintiff's allegations stemmed from NCS's bad faith ownership and use of typosquatted domain names incorporating Plaintiff's various trademarks. Plaintiff's Complaint included all trademarks registered by Plaintiff at the time of the Complaint, including WEATHER STICKER (Docket #1, ¶ 27). Moreover, Exhibits K and L to the Complaint included a copy of the United States Patent and Trademark Office (USPTO) registration certificate for WEATHER STICKER and a copy of the USPTO's Notice of Acceptance and Acknowledgement of Incontestability for WEATHER STICKER, respectively.

On January 22, 2010, NCS answered the Complaint. It was not until May 10, 2010 that NCS filed its Motion for Leave to File Counterclaim seeking a ruling on the validity of the WEATHER STICKER mark.

Prior to NCS's May 10, 2010 Motion and at present, NCS has never provided any proof of use, or even a bona fide intent to use, descriptively or otherwise, WEATHER STICKER. Plaintiff's First Request for Production, sent on January 14, 2010, specifically asked NCS to identify any trademarks owned by NCS. (Pl's RFP #60). NCS did not provide any trademark uses, any trademark applications, or any trademark registration certificates, let alone ones for WEATHER STICKER or anything confusingly similar thereto. Most importantly, Plaintiff also requested that NCS provide a list of domain names it owned, specifically requesting that NCS produce "domains registered now or at any time by NCS incorporating all or some of Plaintiff's registered

trademarks." (Pl's RFP #31, 35; Definition #5). None of the domains produced by NCS responsive to Plaintiff's discovery requests incorporate, or are confusingly similar to, the WEATHER STICKER trademark. See Exhibit A, NCS015922 and NCS010712. Nowhere in NCS's pleadings, document production, or oral argument at the June 14, 2010 hearing on NCS's Motion has NCS alleged a use or bona fide intent to use WEATHER STICKER.

III. Standard of Review

The Court may only reverse the Magistrate Judge's order if clearly erroneous or contrary to law. *Transmatic, Inc. v. Gulton Indus., Inc.*, 818 F. Supp. 1052, 1057-58 (E.D. Mich. 1993). *See Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564 (1985) "The 'clearly erroneous' standard applies only to the magistrate judge's factual findings; his legal conclusions are reviewed under the plenary 'contrary to law' standard….Therefore, [the reviewing court] must exercise independent judgment with respect to the magistrate judge's conclusions of law." *Haworth, Inc. v. Herman Miller, Inc.*, 162 F.R.D. 289, 291 (W.D. Mich. 1995) (citing *Gandee v. Glaser*, 785 F. Supp. 684, 686 (S.D. Ohio 1992). Both the United States Supreme Court and the Sixth Circuit Court of Appeals have stated that "a finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395 (1948); *Hagaman v. Comm'r of Internal Revenue*, 958 F.2d 684, 690 (6th Cir. 1992) (quoting *U.S. Gypsum Co.*).

IV. Argument

A. The Law Supports The Magistrate Judge's Ruling That NCS's Counterclaim Would Be Futile Because NCS Lacks Standing.

1. *NCS Has Not Demonstrated that it has Standing To Pursue The Counterclaims Asserted.*

Standing may be established by (1) proof that petitioner has filed an application for registration of a mark which has been rejected by the Office based on respondent's registration or, where it is alleged that abandonment is the grounds for cancellation, (2) "standing also may be established even if petitioner is not seeking or is not entitled to its own registration of a mark, if the record shows that the petitioner is engaged in the manufacture and sale of goods which are related to those identified in respondent's registration, and that petitioner has a bona fide intention to use the involved mark in connection with those goods." *A.V. Brands, Inc. v. Spirits Int'l, B.V.*, 2009 TTAB LEXIS 199, 11-13 (T.T.A.B. 2009). NCS has established none of these. Further, as acknowledged by NCS, a party must have a real commercial interest in use of the mark rather than the interest of a "mere intermeddler." *See Golden Gate Salami Co. v. Gulf States Paper Corp.*, 51 C.C.P.A. 1391, 1396 (C.C.P.A. 1964). NCS is that intermeddler. NCS admits that NCS (1) does not own any domains incorporating WEATHER STICKER or anything confusingly similar thereto; (2) has never made any use of WEATHER STICKER; (3) has never expressed a bona fide intent to make use of WEATHER STICKER; (4) has never applied for trademark registration for WEATHER STICKER; and (5) does not compete in the same business as Plaintiff. Magistrate

Judge Morgan ruled, based upon the briefs and oral arguments, that "defendant does not have a real interest in the WEATHER STICKER trademark."

NCS's primary argument is that Plaintiff put the WEATHER STICKER mark at issue by including it as background information in the Complaint. NCS fails to cite any case that directly supports its argument. NCS's own cited case of *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024 (C.C.P.A. 1982) "reject[s] the premise that a petitioner should be found to have standing by virtue of its complaint alone." NCS's reliance on the Trademark Trial and Appeal Board case, *Syntex (U.S.A.) v. E.R. Squibb & Sons Inc.*, 1990 WL 354501, 14 U.S.P.Q.2d 1879 (T.T.A.B. Mar. 22, 1990), a non-precedential TTAB case, is misplaced. Unlike the Applicant who was held to have standing in *Syntex*, NCS has not made any trademark use or applied for protection of a similar mark with the USPTO.

NCS's next argument is that it has standing because NCS "is in the business of acquiring generic domain names." Accepting show a low threshold for standing would allow NCS to file a lawsuit to cancel any trademark it believes is generic across the entire USPTO registration database without first showing actual use of the mark or a bona fide intent to make a trademark use. NCS's logic would allow anyone who registers domain names or used the internet in other ways (keyword advertising, affiliate marketing, etc) argue that they have standing in literally every instance. Such a ruling is neither supported by law or policy and would be contrary to the clear aversion to bestowing standing on intermeddlers.

2. *The Magistrate Judge Applied The Correct Law and Did Not Create a New Standard For Establishing Standing.*

NCS argues that the Magistrate Judge inappropriately used a so-called "general standard" in assessing the issue of standing. To the contrary, the Magistrate Judge relied on *Goheen Corp. v. White Co.*, 126 F.2d 481, 29 C.C.P.A. 926, 931 (1942), wherein the Court ruled that petitioner lacked standing for the same reasons that apply here: (1) there is no proof of intent to use the mark; (b) the companies were not in the same business; and (c) the petitioner could not establish any damages or injury. Also instructive is *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024 (C.C.P.A. 1982), cited by NCS, which identifies classes of entities with standing, none of which apply to NCS such as prior trademark registration or use of the mark at issue. *Id*. at 1029. In fact, in all of the cases cited by NCS to support its second contention, the petitioner made use of the mark subject to cancellation, and thus was held to possess the prudential requirement of standing. See *Department of Transportation, Federal aviation Administration v. Scanwell Laboratories, Inc.*, 1971 WL 16760, 170 U.S.P.Q. 174, 176 (T.T.A.B. 1971)(finding that petitioner had made use of the mark at issue); *Roxbury Entertainment v. Penthouse Media Group, Inc.*, 2009 WL 2950324 (C.D. Cal. Apr. 3, 2009)(The Court held that defendant had sufficient standing because "Defendants have claimed use of the phrase "Route 66" as the title of their film, and the instant litigation seeks to interrupt that use.").

Further, Magistrate Judge Morgan's citation to 15 U.S.C. § 1064 is entirely accurate and verbatim from the statute itself. The Order clearly refers to the lack of

damage but also goes on to state the same "real interest" standard argued by NCS. The Order even further justifies why NCS lacks standing, stating: "Moreover, defendant does not appear to have used the mark in any domain names at issue, or in any domain names at all." Even assuming arguendo that the Order's finding that NCS has failed to show damage is contrary to law, the Order's clear reliance upon other factors to deny standing would make the finding relating to no showing of damage harmless.

NCS repeatedly makes claims unsupported by law and fact as part of its proposed Counterclaim for Cancellation of Trademark (Exhibit 1 to NCS Motion for Leave). NCS repeatedly argues that the mark has become descriptive and is thus subject to cancellation. However, the law is clear that incontestable marks are not subject to cancellation based upon descriptiveness. *See Park n' Fly v. Dollar Park & Fly*, 469 U.S. 189, 196 (U.S. 1985) ("The language of the Lanham Act also refutes any conclusion that an incontestable mark may be challenged as merely descriptive."); *see also Sunrise Jewelry Mfg. Corp. v. Fred S.A.*, 175 F.3d 1322, 1324 (Fed. Cir. 1999) ("an incontestable mark cannot be challenged, for example, for mere descriptiveness…"). Moreover, allegation number 12 states that "Wunderground did not actively police the third party use of the term "Weather Sticker" which resulted in that term becoming descriptive and/or generic." However, Plaintiff produced documents in March, prior to NCS's filing of its counterclaim, which clearly show otherwise. (See Exhibit B, e.g. WU03889). Moreover, NCS entirely fails to account for the fact that Schwerzler stated in that same deposition that his colleague "had a legal document drafted asking them to cease and desist…." (Schwerzler Dep. at 150, lines 9-11, Exhibit C). Thus, to reiterate,

as set forth in Plaintiff's Response to NCS's Motion for Leave to File Counterclaim, NCS's Motion would ultimately not survive a motion to dismiss under Fed. R. Civ. P. 12(b)(6). Under any theory, NCS has failed to establish that the Magistrate Judge's ruling as it relates to NCS's lack of standing it contrary to law.

B. **The Magistrate Judge's Basing Her Denial of NCS Motion for Leave to File a Counterclaim On NCS's Undue Delay is Not Clearly Erroneous**.

The Magistrate Judge's conclusion that NCS unduly delayed in filing its Motion for Leave to File a Counterclaim does not amount to 'clear error.' *United States v. Mandycz*, 200 F.R.D. 353, 356 (E.D. Mich. 2001). NCS had actual notice of the WEATHER STICKER mark the moment the Complaint was filed in January 2009, as noted in the Statement of Facts above.[1] NCS obviously considered which of Plaintiff's marks were generic, so as to afford NCS a lawful use of the same, when they set forth affirmative defenses challenging the WUND and WUNDER marks (but not the WEATHER STICKER mark) with Affirmative Defense # 13. Tellingly, NCS's proposed Counterclaim for Cancellation of Trademark (Exhibit 1 to NCS Motion for Leave) contains no information that was not available when it first learned of Plaintiff's WEATHER STICKER mark in January 2009. To the contrary, NCS relies solely upon web page printouts from Plaintiff's website and third party Google results that purportedly use WEATHER STICKER in a generic way, all of which were available 14 months prior to NCS's filing of its Motion.

[1] It can even be shown that NCS had constructive notice of the WEATHER STICKER mark as early as its first use in commerce in 1997 and no later than its filing date with the USPTO of June 1, 1998.

NCS also ignores the procedural history of this matter when it argues that discovery is ongoing, no deadlines for amendments have been provided, and that no trial date has been set. As Magistrate Judge Morgan was intimately aware, NCS's own dilatory, non-responsive answers and productions to Plaintiff's discovery requests forced Plaintiff to file a Motion to Compel Discovery (Docket #46). This in turn forced Plaintiff to file a Motion to Extend Discovery, which NCS opposed (Docket #70), as a direct result of NCS's dilatory and incomplete responses. Plaintiff ultimately successfully secured a Stipulated Order Compelling Discovery (Docket #82) and extending discovery on May 25, 2010.

Plaintiff would undoubtedly be prejudiced by the inevitable additional discovery required to litigate a new and spate trademark, the need for expert witnesses, and the certain consumer surveys related to the WEATHER STICKER mark. *See Phelps v. McClennan*, 30 F.3d 658, 662-63 (6th Cir. 1994) (in considering the issue of prejudice, the court must ask whether allowing a party to amend its pleadings would "require the opponent to expend significant additional resources to conduct discovery and prepare for trial" or even cause delay in resolution of the dispute).

V. Conclusion

Therefore, for the foregoing reasons, NCS's Objection is without merit. The Magistrate Judge's Order justifiably and reasonably found that NCS's petition to cancel Plaintiff's WEATHER STICKER mark would be futile and was brought with undue delay. Consequently, Defendants' Objection to Magistrate Judge's Order Denying Defendant's Motion for Leave to File Counterclaim must be DENIED. Furthermore, Defendants

should be sanctioned under Fed. R. Civ. P. 11 for continuing to pursue this frivolous and meritless claim.

Respectfully submitted this 12th day of July, 2010.

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CERTIFICATE OF SERVICE

I hereby certify that on 12th day of July, 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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