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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91159137
Party	Plaintiff THRESHOLD ENTERPRISES LTD. Threshold Enterprises, Ltd. 23 Janis Way Scotts Valley, CA 95066 UNITED STATES
Correspondence Address	Mary Catherine Merz Merz & Associates, P.C. 1140 Lake Street, Suite 304 Oak Park, IL 60301 UNITED STATES mcmmerz_law@msn.com
Submission	Memorandum in Opposition to Applicant's Motion for Leave to File Late Answer
Filer's Name	Mary Catherine Merz
Filer's e-mail	mcmmerz_law@msn.com
Signature	/Mary Catherine Merz/
Date	05/28/2004
Attachments	brief21436.pdf (14 pages)

TRADEMARKS
Attorney Docket 21436

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In re Matter of U.S. Application Serial No. 76/504,365
For: NATURAL SOURCE and Design
Filed: April 8, 2003
Date of Publication: December 2, 2003

THRESHOLD ENTERPRISES LTD Opposer, v. NATURAL SOURCE INTERNATIONAL, LTD. Applicant.	)	Opposition No. 159,137

MEMORANDUM IN OPPOSITION TO APPLICANT'S
MOTION FOR LEAVE TO FILE LATE ANSWER

Pursuant to Trademark Rule 2.127(a), opposer Threshold Enterprises Ltd ("Threshold") hereby responds to the Motion for Leave to File Late Answer, which was filed by the new attorney for applicant Natural Source International, Ltd. ("applicant") on May 21, 2004,[1] in the above-captioned proceeding. For the following reasons, Threshold requests that the Trademark Trial

[1] Threshold notes that, as of the writing of this Memorandum, neither it nor its counsel had received a service copy of the applicant's Motion for Leave to File Late Answer; Threshold obtained a copy of applicant's motion when Threshold's counsel visited the official web site for the U.S. Patent and Trademark Office and downloaded the motion from there.

and Appeal Board ("the Board") find applicant's attempt to show good cause deficient, and that the Board deny applicant's Motion for Leave to File Late Answer.

I. ARGUMENT

A. Applicant has not met its burden of showing good cause under the factors to be considered by the Board.

The issue of whether a default judgment should be entered against any defendant, for failure to file a timely answer to a complaint, may be raised by means other than the Board's issuance of a notice of default. "For example,...the defendant itself, realizing that it is in default, may file a motion asking that its late-filed answer be accepted." TBMP Section 508.

Once the issue of default is raised, "the standard for determining whether default judgment should be entered against the defendant, for its failure to file a timely answer to the complaint, is the FRCP 55(c) standard, which requires that the defendant show good cause why default judgment should not be entered against it." TBMP Section 508, citing TBMP Section 312, and the authorities cited therein. Consequently, the applicant raised the issue of default when it filed its motion, and now the Board must decide whether a default judgment should be entered against the applicant in this proceeding.

The Board has identified several substantive factors for determining whether a defendant has shown good cause to set aside a default, including (1) whether the delay in filing an Answer was the result of willful conduct or gross neglect, (2) whether the plaintiff will be prejudiced by the delay, and (3) whether the defendant has a meritorious defense to the action. See, e.g., Fred Hayman Beverly Hills, Inc. v. Jacques Bernier, Inc., 21 USPQ2d 1556 (TTAB 1991) and TBMP Section 312.02. Once the default has occurred, it is the defendant's burden to establish good cause for the delay in light of these factors. Id.

Applicant has not met its burden with respect to any of the above three factors. As for factor (2) above, if the default is set aside, Threshold will be forced to incur further delay and expense in resolving this matter, and Threshold's ability to assess the scope of its rights and to enforce those rights in other trademark conflicts will be compromised. Moreover, the deadlines set by the Board in this matter would be rendered meaningless, given applicant's complete disregard for the Answer deadline that had been set and its own desire to file its Answer at its own convenience. Applicant states in its motion that "...no harm will occur by granting leave in this case." Applicant's Motion, at page 2. Yet applicant has submitted no evidence or argument to meet its burden of showing that Threshold

would not be substantially prejudiced by setting aside the default.

Likewise, with respect to factor (3) above, applicant has made no showing or indication that it has a meritorious defense to the action. Applicant has indicated only that it believed that settlement negotiations were on-going and that it had sought new counsel; however, applicant makes no showing that it actually has meritorious grounds for defending this opposition. Applicant's failure to address the prejudice to Threshold or the possible merits of its defense weighs in favor of denying applicant's motion.

With respect to willfulness and gross negligence causing the delay, factor (1) above, applicant fails to address this factor altogether stating only that "[a]pplicant believed settlement negotiations were ongoing and that Opposer would again consent to a further extension of time. However, Opposer's counsel declined to consent to a further extension." Applicant's Motion, at page 1. Applicant's assumption that Threshold would agree automatically to an extension of the Answer deadline was totally unsupported by the facts at hand and establishes a delay caused by willful conduct or gross neglect on the part of applicant.

Applicant was well aware that it was in default as of May 18, 2004, seventeen days after the Answer deadline had passed, when applicant's counsel called Threshold's counsel to obtain

Threshold's stipulation to another extension of the Answer deadline or, in the alternative, Threshold's consent to a late-filed Answer. Applicant's former counsel never stated to Threshold's counsel that the extension of the Answer deadline or the late-filed Answer were needed, because applicant had been seeking new counsel; instead, former counsel explained the that requested extension or late-filed Answer were needed so that negotiations could be furthered; furthermore, a professional courtesy was owed to applicant's counsel. Declaration of Mary Catherine Merz, at paragraphs 10 and 11, Exhibit A, attached.

Applicant claims in its motion that it believed the settlement negotiations that had taken place between the parties meant Threshold's counsel would consent automatically to a second extension of the Answer deadline. However, applicant fails to explain in its motion that the parties were no where near reaching a settlement at the time the Answer was due and that Threshold's counsel had not responded to applicant's counter-proposal for settlement, which applicant's counsel had made by facsimile nine days before the Answer was due, because Threshold did not accept that counter-proposal. Declaration of Mary Catherine Merz, at paragraph 7. Furthermore, counsel for Threshold never stated that a second extension of the Answer deadline automatically would be consented to by Threshold. Declaration of Mary Catherine Merz, at paragraph 8. Reliance on

such negotiations as a guarantee that Threshold's counsel would consent automatically to a second extension of the Answer deadline was, at best, grossly negligent conduct on the part of applicant's counsel.

Indeed, such conduct is not the behavior of a party that has inadvertently missed a deadline, then acted quickly to remedy the defect. Rather, applicant's non-action in response to the Answer deadline set by the Board demonstrates willfulness or gross negligence. Although applicant states that its delay in filing an Answer was the result of its assumption that opposer would again consent to a further extension of time, applicant has provided no valid argument, evidence or explanation to support that claim. Applicant simply has not made the requisite showing of good cause for its delay.

B. Applicant has not presented any other information or arguments that would justify setting aside final judgment.

Applicant's only stated arguments for setting aside the default in this matter are that (1) applicant's attorney thought that opposing counsel automatically would consent to an Extension of the default should be set aside; and (2) applicant has sought new counsel to represent it in this proceeding. The insufficiency of its argument (1) is addressed in detail above.

As for its argument (2), applicant's attempt to rely on its having sought new counsel has no bearing on good cause as to why the Answer deadline was missed. Applicant sought new counsel only after the Answer deadline was missed; the applicant did not miss its Answer deadline, because it was seeking new counsel. Applicant's former counsel never stated to Threshold's counsel that the reason the Answer deadline was missed was because applicant was seeking new counsel. Declaration of Mary Catherine Merz, at paragraph 12. The fact that applicant had decided to seek new counsel after its former counsel failed to meet the Answer deadline has no relevance to the required good cause showing. Therefore, Threshold submits that any reference to seeking new counsel is irrelevant to deciding this motion.

Finally, the missed deadline by applicant's former counsel does not appear to be the result of error or oversight. On the contrary, it demonstrates that applicant has not taken seriously the filing deadline set by the Board in this action. In the absence of a satisfactory showing of good cause, applicant should not be permitted to benefit from its non-action simply by stating that it believed opposing counsel automatically would stipulate to an extension of the Answer deadline and applicant had decided to chose new counsel after the Answer deadline was missed.

II. CONCLUSION

In view of the foregoing, Threshold respectfully requests that the Board deny applicant's Motion for Leave to File Late Answer, reject applicant's Answer as untimely, and issue a default judgment against applicant for failure to timely file an Answer or make an adequate showing of good cause for the delay.

Respectfully submitted,

Dated: May 28, 2004

Mary Catherine Merz, Esq.
MERZ & ASSOCIATES, PC
Attorneys At Law
1140 Lake Street, Suite 304
Oak Park, Illinois 60301-1051
(708) 383-8801 (phone)
(708) 383-8897 (fax)
mcmmerz_law@men.com (e-mail)

Attorney for Opposer

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing MEMORANDUM IN OPPOSITION TO APPLICANT'S MOTION FOR LEAVE TO FILE LATE ANSWER was served on the applicant by First Class Mail this 28th day of May, 2004, addressed to:

Attorney for Applicant

Jacqueline Levasseur Patt
VENABLE LLP
575 7th Street, N.W.
Washington, D.C. 20004-1601

By: May 28, 2004

CERTIFICATE OF ELECTRONIC MAILING

Date of Electronic Filing: May 28, 2004

I hereby certify that this correspondence is being filed on the date indicated above and is addressed to the Commissioner For Trademarks, Box TTAB - NO FEE, 2900 Crystal Drive, Arlington, Virginia 22202-3513 at http://estta.uspto.gov.

(1) MEMORANDUM IN OPPOSITION TO APPLICANT'S MOTION FOR LEAVE TO FILE LATE ANSWER

Mary Catherine Mers

EXHIBIT A

Declaration of Mary Catherine Merz

TRADEMARKS
Attorney Docket 21436

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In re Matter of U.S. Application Serial No. 76/504,365
For: NATURAL SOURCE and Design
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THRESHOLD ENTERPRISES LTD Opposer, v. NATURAL SOURCE INTERNATIONAL, LTD. Applicant.	)	Opposition No. 159,137

DECLARATION OF MARY CATHERINE MERZ

I, Mary Catherine Merz, declare as follows.

1. I represent Threshold Enterprises Ltd. as its legal counsel in trademark and trade name matters through the law firm of Merz & Associates, P.C., and have personal knowledge or have gained knowledge through my representation of Threshold Enterprises Ltd. of each matter stated herein.

2. On February 19, 2004, attorney Nadia Kaddour of Kevin MacCarthy Associates, P.C. contacted me on behalf of applicant Natural Source International, Ltd. to initiate settlement

negotiations and request that opposer Threshold Enterprises Ltd. consent to an extension of the Answer deadline in the above-captioned case ("the opposition"). I consented to that extension on behalf of Threshold Enterprises Ltd.

3. On March 27, 2004, the Trademark Trial and Appeal Board issued an Order granting the parties' stipulated motion to extend the Answer deadline in the opposition until May 1, 2004.

4. On April 9, 2004, attorney Nadia Kaddour sent a letter to me on behalf of applicant Natural Source International, Ltd. proposing settlement terms in the opposition.

5. On April 12, 2004, I sent a letter on behalf of Threshold Enterprises Ltd. proposing counter-settlement terms in the opposition.

6. On April 21, 2004, attorney Nadia Kaddour sent another letter to me on behalf of applicant Natural Source International, Ltd. proposing yet further counter-settlement terms.

7. I did not respond on behalf of Threshold Enterprises to the April 21, 2004 letter from attorney Nadia Kaddour, because Threshold Enterprises was not interested in accepting the most recent terms proposed and had no further counter-settlement proposal to make.

8. At no time did I indicate to counsel for Natural Source International, Ltd. that a second extension of the Answer

deadline would automatically be stipulated to by Threshold Enterprises Ltd.

9. Between April 21, 2004, and May 18, 2004, neither I nor anyone else from Merz & Associates, P.C. was contacted by a representative of Natural Source Interational, Ltd. concerning the opposition.

10. On May 18, 2004, seventeen days after the Answer deadline had passed in the opposition, attorney Nadia Kaddour called me to ask that Threshold Enterprises Ltd. stipulate to another extension of the Answer deadline or, in the alternative, consent to the late-filed Answer of applicant Natural Source International, Ltd. so that the parties could continue to pursue settlement negotiations.

11. On May 18, 2004, I also received a telephone call from attorney Kevin MacCarthy of Kevin MacCarthy Associates, P.C. on behalf of Natural Source International, Ltd. again requesting that Threshold Enterprises Ltd. stipulate to another extension of the Answer deadline or, in the alternative, consent to the late-filed Answer of applicant Natural Source International, Ltd. Attorney MacCarthy stated that the second extension should be agreed to as a professional courtesy to Natural Source International, Ltd.'s counsel.

12. At no time did either attorney Nadia Kaddour or attorney Kevin MacCarthy state to me that the reason an Answer

was not timely filed in the above-captioned case was that applicant Natural Source International, Ltd. was seeking new counsel.

13. I declare under penalty of perjury that the foregoing is true and correct.

Date: May 28, 2004

Mary Catherine Merz