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

Proceeding	91200167
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By: /s David Escamilla

Date: August 1, 2011

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

M2 SOFTWARE, INC.

Opposer,

v.

HIGHER LOGIC, LLC

Applicant.

Opposition No. 91200167

For: M2 MOBILE  
MEMBERSHIP

Serial Nos.: 85/017,071;85/017,090

Published: 02/15/2011

OPPOSER'S RESPONSE TO APPLICANT'S MOTION TO SHOW GOOD CAUSE

M2 SOFTWARE, INC. ("M2" or "Opposer") hereby responds to "Applicant's Motion to Show Good Cause Why Its Answer Should Be Accepted as Timely Filed" ("Motion").

Default judgments are entered cautiously. However, in some cases such as this, where a defendant's default was the result of its own culpable conduct, default judgment is a formal part of procedure in a formal proceeding that cannot be set aside. Moreover, the Applicant here has attempted to present an excuse of its deliberate conduct with a thin motion that wholly fails to meet a threshold requirement, namely a showing of a meritorious defense.

Opposer would not have been alerted to its need to respond were it not for a blatantly misleading statement in the defendant's sworn affidavit. Applicant would have the Board believe that it tried on numerous occasions to get a stipulation from Opposer for its delay. In fact, Applicant omits the material fact that its "attempt" to contact Opposer on this topic was a short voicemail left late on a *Sunday night*, hours before deadline, when it was well aware that Opposer's offices would be closed. This transparent attempt to manufacture an artificial record actually *became* the artificial record, cited as central grounds of its Motion. In the end, Applicant's Motion is unsupported under the Fed. R. Civ. P. 55(c) standard, and must be denied.

## I. FACTS

### A. Procedural Background

1.01 M2's Notice of Opposition was filed on June 8, 2011. Pursuant to Order of the Trademark Trial and Appeal Board ("Order"), the Applicant's Answer in this proceeding was due no later than July 18, 2011.

1.02 Applicant did not timely file an Answer pursuant to Board Order. Applicant entered technical default as of July 18, 2011.

1.03 No settlement discussions have ever taken place in this action. See Declaration of Officer ("Decl."), ¶ 3, attached hereto as *Exhibit A*. The parties have had no other correspondence that would merit any other extension or delay.

### B. Background of the Marks Subject of the Underlying Proceeding

1.04 This proceeding is based both on registration rights, as well as common law trademark and trade name rights. For 20 years, Opposer M2 Software has used "M2" as trademark, service mark, and trade name to provide computer software and related services to a broad array of industries and clients. Decl. ¶ 2. *See* Notice of Opposition, at 2, "Marks Cited By Opposer as Basis for Opposition."

1.06 Opposer's federal registration is a product mark registration obtained early in company history to identify its first successful licensed enterprise applications.<sup>1</sup> Opposer's business has not been limited to its first customers, and Opposer's trademark and trade name rights extend to 20 years of use of "M2" for computer software and related services that include database software applications (accessible from PC's, mobile, and other major platforms) with functionality directly intersecting the plain language of the new applications.<sup>2</sup> Decl. ¶ 2.

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<sup>1</sup> Opposer's first successful software applications were "business management applications" directed in part towards a Media and Entertainment sector of corporate customers prevalent in the original launch regions. U.S. Reg. No. 1,931,182.

<sup>2</sup> Trademark laws are intended to protect not only goods specified in a registration of the "same descriptive properties," but also any goods or services likely to emanate from the same source. *See* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed. 2002), §24:65. .

1.06 Applicant has applied for a mark consisting of, as its dominant element, the identical “M2” trademark. Applicant has paired Opposer’s core “M2” brand and commercial symbol with the words “mobile,” a generic word that merely describes a mode of computer software deployment used by both parties, and “membership,” a generic word describing a grouped set or mode of distribution. Neither word adds any distinction of software vendor *source* when describing this product, and the sole commercial identifier is M2 Software’s identical “M2” trademark.

1.07 The application X-Search records indicate the examination did not cross-search “Class 009” and “M2,” the sole non-generic, dominant symbol of Applicant’s applied-for mark, which would have identified Opposer’s senior identical mark. *See* Application File, Ser. Nos. 85/017,071 and ’90, June 14, 2010.

## II. STANDARDS

2.01 Pursuant to 37 CFR § 2.106(a), “If no answer is filed within the time set, the opposition may be decided as in case of default.”

2.02 “If a defendant fails to file an answer to a complaint during the time allowed therefor, the Board may issue a notice of default. \* \* \* If the defendant \* \* \* files a response that does not show good cause, default judgment may be entered against it.” TMBP § 312.01.

2.03 “The issue of whether default judgment should be entered against a defendant for failure to file a timely answer to the complaint may also be raised by means other than the Board’s issuance of a notice of default. \* \* \* However the issue 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 Fed. R. Civ. P. 55(c) standard, that is, whether the defendant has shown good cause why default judgment should not be entered against it.” *Id.*

2.04 “Good cause” under Rule 55(c) must be rejected if even one of the following conditions exists: (1) the defendant’s own culpable conduct led to default, *or* (2) the defendant fails to present a meritorious defense, *or* (3) the plaintiff would be prejudiced if default judgment is set aside. *See, e.g., Franchise Holding II, LLC v.*

*Huntington Rests. Group, Inc.*, 375 F.3d 922, 925 (9th Cir. 2004); *Consolidated Masonry & Fireproofing, Inc. v Wagman Constr. Co.*, 383 F.2d 249, 251 (4th Cir. 1967).

### III. ARGUMENT

3.01 Though Applicant's motion is styled as a motion to accept a late answer, it must be reviewed as a motion to set aside a default under Rule 55(c). Applicant entered technical default July 18, 2011 when it violated the deadline set by the Board's Order. Although the formal Notice of Default had not yet issued at time of motion, the default had already occurred. See *DeLorme Publishing Co., Inc. v. Eartha's, Inc.*, 60 USPQ2d 1222, 1223 n.4 (TTAB 2000). A defendant's motion is the alternate means "other than the Board's issuance of a notice" by which the default issue is raised. TBMP § 312.01.

3.02 The Board deadlines are important procedural rules in a formal litigation that attempt to make proceedings fair for all parties and to preserve order in the docket. Under Rule 55(c) standards, Applicant's motion must fail because it wholly fails to present the requisite elements for a good cause showing. Although a default ruling necessarily requires the Board to apply caution, "entry of default judgment may be necessary in some cases." TBMP § 312.02. This is one such case.

#### A. Applicant Willfully Disregarded a Board Order

3.03 Applicant submits only conclusory statements that it lacked willful conduct. The actual circumstances demonstrate willful and deliberate conduct with full knowledge of the deadline.

3.04 On a Sunday night, July 17, 2011 at 7:50 p.m., the night before the answering due date of the Board's Order, Applicant telephoned Opposer's business offices in a transparent attempt to create an artificial record for the motion it must have anticipated. Decl., ¶ 3, 4. See Motion, at 1 (falsely claiming attempted contact on extension topic on "numerous occasions"). This was a deliberate act.

3.05 On the Sunday night of its call, Applicant still possessed another full day to complete and submit its motion. It chose not to, after 40 days of opportunity after the Notice of Opposition was served and the Board Order was issued.

3.06 This is also not a case where the Applicant simply let the business day of the deadline get away, inadvertently failing to file by the close of business. Otherwise, Applicant would have simply submitted its filing the *next* morning. It did not.

3.07 Rather Applicant by its own willful conduct sought to set its own deadline, and thus created its own default. Had it truly respected the Board's Order and the dates set forth therein, Applicant would have simply spent its Sunday evening finishing its Answer, a simple three-page form, rather than placing late-night calls to Opposer's offices to create an artificial record for a planned delay. Decl ¶ 4.

B. Neither a Hope of Entering Settlement Talks Nor an "Internal Miscommunication" Presents Good Cause

3.08 Applicant presents two unsupported arguments for why it believes it has good cause to default on the Board's Order: i) Applicant had hoped to enter settlement talks, and ii) Applicant had an internal miscommunication. Neither reason is credible, entirely unsupported by documentary evidence, but even *if* true, neither reason presents good cause under the Rule 55(c) standards.

3.09 First, there were no settlement talks.<sup>3</sup> Even if there had been, settlement talks would not have presented good cause to violate a Board Order. *See, e.g., United States v Topeka Livestock Auction, Inc.*, 392 F. Supp 944 (1975, DC Ind) (ongoing settlement negotiations do not justify a failure to file an answer); *Racquetball & Health Clubs, Inc.*, 786 F.2d 61 (2d Cir. 1986) (no good cause shown where Defendant's underlying defense was unsupported by anything other than a bald assertion, and the only excuse offered for their default was blatantly false).

3.10 The "settlement talk" excuse, long used by delaying defendants as a tactic to obtain a suspension whether or not settlement was anticipated, has re-

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<sup>3</sup> Parsing Applicant's misleading sentence, Applicant apparently *thought* of *discussing* an *extension* so the parties could *thereafter* possibly explore settlement. Motion, at 1 (sought "to *discuss if* an extension...would be agreed...*in order for* settlement discussions to take place"). As noted, the Board's calendar already contemplates settlement talks, in the pre-discovery conference. Applicant's experienced counsel must have been aware that talks can proceed in parallel, without requiring a delay.

cently been made obsolete by amendments to Board Rules. Under amended Rules, settlement discussions are included as part of the pre-discovery conference, contemplated in the normal procedural calendar set forth in the Order for this case.<sup>4</sup>

3.11 Applicant also claims an “internal miscommunication.” Motion, at 1. Setting aside issues of credibility – Applicant’s Sunday night call demonstrated a clear awareness of the deadline, and who knows what to believe after it omitted this critical fact from its affidavit – an “internal miscommunication” does not present good cause. *Heaton v Bonacker & Leigh*, 173 F.R.D. 533 (1997, MD Ala) (internal miscommunications do not provide good cause); *Nelson v Coleman*, 41 F.R.D. 7 (1966, DC SC) (botched shuffling of complaint between internal parties did not overcome default, general counsel fully aware of answer requirement within 20 days of service); *Chrysler Credit Corp. v Macino*, 710 F.2d 363 (7th Cir. 1983) (no good cause for failure to file timely answer, attorney was ill but associate could have answered); *Marriott Corp. v Pappy’s Enterprises, Inc.*, 192 USPQ 735, 736 (TTAB 1976) (inattention and carelessness of counsel not excusable); *Williams v. Five Platters*, 181 USPQ 409, 410 (TTAB 1974), *aff’d*, 510 F.2d 963 (CCPA 1975).

3.12 Courts have found the single most important element in reviewing a good cause pleading is “namely, the *reason* for the delay and whether it was within the *reasonable control of the movant*.” *HKG Industries Inc. v. Perma-Pipe, Inc.*, 49 USPQ2d 1156, 1157 (TTAB 1998) (emphasis added). Here, the “miscommunication” was admittedly “internal,” and thus within Applicant’s reasonable control.

### C. Applicant Lacks Any Meritorious Defense

3.13 As a second, independent grounds to deny the Motion, the Applicant failed to meet a threshold requirement for its pleading, namely a showing of a meritorious defense. *See, e.g., Consolidated Masonry & Fireproofing, Inc. v Wagman Constr. Co.*, 383 F.2d 249 (4th Cir. 1967) (court denied a Rule 55(c) motion to set aside

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<sup>4</sup> *Notice of Final Rulemaking, Misc. Changes to Trademark Trial and Appeal Board Rules*, 72 Fed. Reg. 42242 (Aug. 1, 2007) (pre-discovery conference includes “nature and basis of the involved claims and defenses, the possibility of settlement of the case or modification of the pleadings, and plans for disclosures and discovery”).

a default entry with no specific defense plead); *Fink v. Swisshelm*, 182 F.R.D. 630 (D. Kan. 1998) (no good cause where a defendant's motion made no effort to demonstrate a meritorious defense and, though his answer alleged certain defenses, there was no factual elaboration on which to judge merit).

3.14 Applicant is seeking to register, for the same or similar products in the database field and in emerging social networking technologies, Opposer M2 Software's *identical* "M2" trademark as dominant commercial element of its mark. The parties' fields intersect directly by even the plain language of Applicant's identification. Decl. ¶ 2. Thus, even if this defaulted proceeding were to be reopened and allowed to proceed to the summary judgment or trial stage, Section 2(d) would prohibit registration because Applicant is applying for an unregistrable mark that "consists of or comprises" a mark that "so resembles" a senior trademark or trade name as to be likely to cause confusion. 15 U.S.C. § 1052(d).

3.15 The extensive time and resources required to reopen and carry on this unnecessary proceeding are a significant burden on the limited resources of the Board, and will cause substantial diversion of attention from the business of both Opposer and Applicant. The only actors possibly standing to benefit from setting aside the default would be party counsel, who then would be able to extend billing for additional months or years on a case that must end in the same result. Legal fee generation does not present good cause to set aside a default.

#### D. Applicant's Deliberate Conduct Has Resulted in a Compulsory Stay

3.16 Under new amendments to Board rules, a party such as Applicant, who had desired a stay but was unable to obtain one by stipulation, can now simply *willfully file a late Answer*, and move for its late-filed answer to be accepted, in order for procedural dates to be reset and delayed by a time period of several months. "In instances where the defendant is in default, the parties' obligations to conference and, subsequently, to make initial disclosures is effectively stayed \* \* \* If default is set aside, the Board will reset the deadline for the discovery conference as well as all subsequent dates." TBMP § 312.01 (Third Edition, May 2011) (emphasis added).



3.17 Applicant thus misleads the Board a second time when it claims its only advantage would be a “two-day” delay. Motion, at 1. By its experienced trademark counsel, Applicant is well-aware that default results in a compulsory stay of several months – almost *precisely* the relief Applicant sought, but failed to obtain, by a stipulation because Opposer was unwilling to delay due to risk of irreparable harm in a proceeding involving an identical mark use. In *DeLorme Publishing*, the Board found it significant that the delay was greater than the defendant claimed:

It is worth noting that the actual delay at issue is now approaching nine months. Cf. *Pumpkin Ltd. v. The Seed Corps*, 43 USPQ2d 1582, 1587-88 (TTAB 1997) (it is appropriate under excusable neglect standard to “take into account the additional, unavoidable delay arising from the time required for briefing and deciding the motion to reopen”). In addition to the delay, applicant's conduct has necessitated the Board's expenditure of substantial time and administrative resources in dealing with this matter.

*DeLorme Publishing*, 60 USPQ2d at 1224 n.5 (emphasis added).

3.18 Opposer has never consented to such a stay or delay. It specifically was *not* willing to enter the stipulation due to risks of irreparable harm in extending a proceeding involving an identical mark use. Decl. ¶ 4. Opposer should not be subjected to a compulsory stay by Applicant's deliberate conduct when it was not willing to do so by stipulation on its own.

#### IV. CONCLUSION

4.01 “Rules of court are indispensable to the orderly and efficient conduct of a court's business. They are not to be set aside \* \* \* or dictated by the caprice or design of counsel.” *Com. v. Cooper*, 356 Mass. 74, 79 (1969). This is the rare case where good cause is defeated on several alternative grounds. Setting aside a default by Applicant’s empty motion would only reward the Applicant with a stay that it had sought, “and thereby encourage others to disregard procedural requirements.”<sup>5</sup> Recent rule amendments (May 2011) provide the unintended procedural loophole whereby a defendant desiring a suspension may simply choose to willfully file late, and then immediately try to show good cause with a short motion. By strictly applying Rule 55(c)

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<sup>5</sup> *McCain v. Educ. Credit Mgmt. Corp.*, 353 B.R. 452, 464 (Bankr. E.D. Va. 2006)

standards, the Board can close this loophole because a default that resulted from a defendant's own culpable conduct is the very type of default that *may not be set aside*.

For the reasons set forth herein, Opposer respectfully requests that the Applicant's Motion be DENIED and this unnecessary proceeding terminated.

Dated: August 1, 2011  
Chicago, Illinois

Respectfully submitted,

M2 SOFTWARE, INC.

BY: s/David Escamilla/  
David Escamilla  
President and C.E.O.

OPPOSER

# **EXHIBIT A**

**EXHIBIT A: Declaration of Officer**

I, David Escamilla, under oath and penalty of perjury state:

1. I am an officer of M2 Software, Inc. (“Opposer”) authorized to appear in this proceeding. I am over the age of eighteen and, if called as a witness, could and would testify competently to the matters set forth herein from personal knowledge.

2. Opposer created the “M2” mark and trade name in 1991 to identify its business and products and services. For 20 years, Opposer has continuously used its mark to provide software products and related services to a broad array of industries and customers. Opposer’s products and services include but are not limited to database software applications (accessible from PC’s, mobile, and other major platforms) with functionality directly intersecting the plain language of the new applications.

3. Opposer’s published business hours, as set forth in the after-hours outgoing message of Opposer’s voicemail system, are Monday through Friday, 9-5.

4. On Sunday, July 17, 2011 at 7:50 p.m., a caller identifying herself as “Lauri Thomson” called Opposer’s offices and left a 54-second voicemail requesting a callback if Opposer had any interest in opening settlement discussions. Opposer has located just one other voicemail from Applicant, a short 29-second message with no topic of discussion specified. Opposer responded in writing after review of counsel, noting Opposer was not willing to agree to any unnecessary extension or delay due to ongoing risk of irreparable harm in a proceeding involving an identical mark use.

I declare under penalty of perjury of the laws of the United States that these facts are true and correct to the best of my knowledge.

DATED this 1st day of August, 2011.

/s/ David Escamilla  
David Escamilla

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing  
OPPOSER'S RESPONSE TO APPLICANT'S MOTION TO SHOW  
GOOD CAUSE is being served on Aug. 1, 2011, by first class mail,  
postage prepaid, upon the defendant / Applicant:

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s/David Escamilla/  
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