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

Proceeding	91220292
Party	Plaintiff Swatch AG (Swatch SA) (Swatch Ltd)
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

SWATCH AG (SWATCH SA)  
(SWATCH LTD.),

Opposer,

v.

THE SPARK AGENCY, INC.,

Applicant.

Mark: SWITCH

Opp. No.: 91,220,292

Serial No.: 86/267,771

**OPPOSER’S REPLY MEMORANDUM  
IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT  
DISMISSING APPLICANT’S COUNTERCLAIM UNDER RULE 2.106(b)(2)(i)  
AND  
TO SUSTAIN THE OPPOSITION UNDER THE DOCTRINE OF RES JUDICATA**

Opposer, Swatch AG, (“Swatch”) respectfully submits this Reply Memorandum in support of its motion for summary judgment dismissing Applicant, The Spark Agency, Inc.’s (“Spark”) counterclaim and to sustain the Opposition under the doctrine of Res Judicata.

**I. Spark’s Counterclaim is a Compulsory Counterclaim That Was Not Promptly Plead in the First Action**

Spark submits two arguments in support of its position that its challenge of Swatch’s ‘562 Registration is not barred as a compulsory counterclaim. First, it argues that the counterclaim is not compulsory because Spark was not aware of the grounds of the claim at the time it filed its Answer in the First Action. Second, it argues that during the First Action it only *believed* there

were grounds to challenge Swatch's registration on non-use, but that its mere belief (or "interpretation") was not enough to make the claim compulsory. Both arguments fail.

**A. Counterclaim Must be Promptly Plead, Even if the Grounds are Discovered After the Answer is Filed**

Spark argues that the counterclaim is not barred because the grounds for this claim were not known at the time Spark filed its Answer in the First Action. App.'s Br. at 2-3.<sup>1</sup> Even if this statement were factually accurate, it does not help Spark. Spark's argument ignores the portion of Rule 2.106 which states "[i]f grounds for a counterclaim are learned during the course of the opposition proceeding, the counterclaim shall be pleaded promptly after the grounds therefor are learned." 37 C.F.R. § 2.106(b)(2)(i). Accordingly, even if Spark was unaware of the grounds for its counterclaim at the time it filed its Answer, this did not relieve Spark of its obligation to promptly file the counterclaim once it became aware of the grounds. *Zawod v. Sia Baltmark Invest*, 2013 US Dist. LEXIS 168317 (E.D. Va. 2013).

As evidenced by its own arguments in its Trial Brief in the First Action, Spark became aware of the grounds for its counterclaim at least as early as April 5, 2013. In its Trial Brief, Spark cited to the April 5, 2013 Furlan transcript when it told the Board that "Opposer has no use of the SWATCH mark in the United States in connection with many of the products and services listed in the registration" and "[t]he record is crystal clear that Opposer does not operate any advertising agencies in the United States under the SWATCH name." Opp.'s Br. Ex. A at 9 (citing April 5, 2013 Furlan Tr. at 124, 127 and 135). Spark did not promptly file the counterclaim in the First Action, and so it may not do so now in this proceeding. *Vitaline Corp.*

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<sup>1</sup> For purposes of this Reply Brief, Opposer uses the abbreviation "App.'s Br." to refer to Applicant's brief in opposition to Opposer's motion for summary judgment, as filed on April 16, 2015. Opposer uses the abbreviation "Opp. Br." to refer to Opposer's motion for summary judgment, filed on March 13, 2015.

*v. General Mills, Inc.*, 891 F.2d 273, 276 (Fed. Cir. 1989)(“the rule requires prompt pleading of a counterclaim once grounds for the counterclaim are learned”); *Zawod*, 2013 US Dist. LEXIS 168317 at \*27-28 (affirming Board’s finding that over two month delay in moving to amend pleading was not sufficiently prompt under compulsory counterclaim rule).

**B. Spark had Knowledge of the Grounds for its Counterclaim at Least as Early as April 5, 2013**

Several points are not disputed by Spark. First, Spark does not dispute that in its Trial Brief in the First Action it argued that Swatch did not use its SWATCH mark for many of the goods and services in the ‘562 Registration, including for advertising agency services. Second, Spark does not dispute that it based these non-use/abandonment arguments on specific information that it learned at least as early April 5, 2013 during the testimony of Mr. Frank Furlan.<sup>2</sup> Third, Spark does not dispute that the arguments it made in its Trial Brief in the First Action regarding Swatch’s non-use of the mark, are identical to the allegations it now wishes to make in its counterclaim in this action.

Despite these concessions, Spark asks that the Board to ignore this history because Spark contends that the arguments in its Trial Brief were “only Applicant’s *interpretation* of the evidentiary record and do not demonstrate that Applicant *learned* of specific grounds for a counterclaim during Opposer’s testimony period.” App.’s Br. at 4 (emphasis added). Spark misses the point.

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<sup>2</sup> In its response to Opposer’s summary judgment motion, Spark seeks to rely on Swatch’s discovery responses from the First Action. But these do not help Spark. Rather, they demonstrate that, if anything, Spark had even earlier (November 16, 2012) knowledge of the same facts that Mr. Furlan testified to on April 5, 2013. *See, e.g.*, App.’s Br., Ex. E at Admission No. 4 and Ex. F at Interrogatory No. 3.

The evidentiary record that Spark “interpreted” and argued in its Trial Brief in support of its non-use allegation shows that Spark *had* knowledge of grounds to support this claim, but just failed to promptly plead it. Indeed, Spark found Mr. Furlan’s testimony in the First Action sufficiently probative for Spark to represent to the Board, without qualification, that: “the record is **crystal clear** that Opposer does not operate any advertising agencies in the United States under the SWATCH name.” Opp.’s Br., Ex A at 9 (citing Furlan’s deposition testimony at 124 and 127)(emphasis added). Spark’s decision to wait more than eight months and then only argue those facts in its Trial Brief instead of promptly pleading an abandonment or non-use counterclaim precludes Spark from pursuing the claim in this action. *Zawod*, 2013 U.S. Dist. LEXIS 168317 at \*27. If, as Spark claimed in the First Action, the record was “crystal clear” that Swatch did not use its mark for advertising agencies in the United States, Spark should have promptly moved the Board to amend its Answer to plead its counterclaim. Spark’s decision not to do so in the First Action, and instead wait to assert that claim in this Action, is the type of tactic the compulsory counterclaim rule is designed to prevent. *Outdoor Sports Indus. v. Joseph & Feiss Co.*, 177 USPQ 535, 537, 1973 TTAB LEXIS 382 (TTAB 1973)(“parties coming before the Board in inter partes proceedings will litigate all related claims arising out of the central claim of damage and thereby avoid the aggravation and expense of piecemeal prosecution of a multiplicity of suits and countersuits”).

The Board, in the First Action already held that Spark waived its challenge of Swatch’s ‘562 Registration:

Applicant does not argue that advertising agencies are not related to its identified services, but instead argues that “Opposer has no use of the SWATCH mark in the United States in connection with many of the products and services listed in Registration No. 3,799,562. This Argument is unavailing. Applicant may not

collaterally attack the validity of Opposer's registration in the absence of a counterclaim for cancellation.

Opp. Br. Ex. B at 9. Spark should not be allowed to plead in this Action a claim that was already rejected in the First Action, particularly since it has not identified any new facts that are available now, that were not available then. In its response to Swatch's motion for summary judgment, Spark has not pointed to any new evidence or information that supports its counterclaim in this Action. The same information it discovered in the First Action to support its counterclaim arguments (asserted in its Trial Brief) is the same evidence that supports its counterclaim in this Action. Spark had all of this information more than two years ago – there is nothing new.

Finally, Applicant's reliance on the Federal Circuit's decision in *Nasalok Coating Corp. v. Nylok Corp.* is misplaced. App.'s Br. at 5(citing *Nasalok Coating Corp. v. Nylok Corp.*, 86 U.S.P.Q.2d 1369 (Fed. Cir. 2008)). The dispute in *Nasalok* did not arise from a Trademark Trial and Appeal Board dispute. *Id.* (“The Board's rules of procedure in trademark cases provide that invalidity of a registration pleaded in an opposition or cancellation proceeding is a compulsory counterclaim. See 37 C.F.R. §§ 2.106(b)(2)(i), 2.114(b)(2)(i) (2007). However, these rules of course do not apply to an infringement action brought in a district court.”). Accordingly, Rule 2.106(b)(2)(i)'s restrictions on compulsory counterclaims was inapplicable. Under Rule 2.106(b)(2)(i), the Board may not allow a party to plead a counterclaim that was not promptly pleaded after the party learned of the grounds. 37 C.F.R. 2.106(b)(2)(i).

Spark's decision not to plead this counterclaim in 2013, and to wait until now, is fatal. The counterclaim was not promptly plead and must be dismissed under Rule 2.106(b)(2)(i).

## **II. Swatch's Likelihood of Confusion Claim Should be Sustained on Grounds of Res Judicata**

The parties agree that all of the factors for Res Judicata have been met in this case, with the only dispute being whether the marks SW:TCH and SWITCH convey the same commercial impression. App.'s Br. at 6. In its response to Swatch's motion, Spark argues that the marks convey a different commercial impression, but it never explains how the commercial impression is anything other than the word SWITCH with a stylized letter "i."

Indeed this point is highlighted by Spark's own arguments in its trial brief in the First Action. In the First Action, Spark, attempting to avoid a finding of confusion with Swatch's SWATCH mark, admitted "in the exceedingly likely event that consumers would perceive and pronounce Applicant's SW:TCH mark as "switch," the literal meaning and associated connotations of this common English language word have nothing to do with those of SWATCH. Opp. Br., Ex. A at 7. Spark does not, and cannot, explain how only a few months earlier it was "exceedingly likely" that consumers would perceive and pronounce Spark's SW:TCH mark as SWITCH, but suddenly (when faced with a res judicata challenge) the marks would not be perceived and pronounced the same way.

The record shows that the colon in SW:TCH is intended to represent an "i" to form Switch. Spark uses the words "SW:TCH" and "SWITCH" interchangeably in its marketing materials to convey the same name. Opp. Br., Ex. E. Although Spark in a single conclusory statement argues that the marks SW:TCH and SWITCH have a different commercial impression, it does not dispute that it uses the spelling SW:TCH to convey its company name: Switch.

The Parties disagree about the scope of the Board's findings in the First Action regarding whether the colon in SW:TCH conveys the letter "i." But there can be no dispute that the Board already recognized "there are only a few ways that Applicant's [SW:TCH] mark can be

pronounced and . . . if the colon is pronounced as an “I” SW:TCH is likely to be pronounced as ‘switch.’” Opp. Br., Ex. B at 11. And even putting aside the specific language from the Board’s earlier decision, Spark does not, and cannot dispute, that one of the ways a consumer can pronounce the mark SW:TCH is to say “Switch.” Indeed, “switch” is the intended pronunciation of Spark’s mark; the company markets itself as “Switch” (or “Switch – Liberate Your Brand”). Opp.’s Br. Ex. E.

The Parties have already spent great expense and effort litigating (for over five years) the likelihood of confusion between Swatch’s SWATCH mark and Spark’s SW:TCH mark. After obtaining an adverse ruling, res judicata bars Spark from making a very minor modification to its mark from SW:TCH to SWITCH to obtain a second bite at this apple. The commercial impression of both marks is the same. And the outcome of re-litigating all of the identical issues that the Parties have recently disputed and resolved, would likewise be the same. *Miller Brewing Co. v. Coy Int’l. Corp.*, 230 U.S.P.Q. 675, 678 (T.T.A.B. 1986) (“The Board does not wish to encourage losing parties to insignificantly modify their marks after and adverse ruling and thereby avoid the res judicata effect of the prior adjudication”); *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 (U.S. 1979) (“res judicata has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation”).

Respectfully submitted for Opposer,

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May 6, 2015

**CERTIFICATE OF FILING AND SERVICE**

I, Jeffrey A. Lindenbaum, hereby certify that I caused a true and correct copy of the foregoing Reply Memorandum in Support of Opposer's Motion for Summary Judgment to be served upon Applicant via its attorney of record:

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via first-class mail, postage pre-paid and email. Said service having taken place this 6<sup>th</sup> day of May, 2015.

/Jeffrey A. Lindenbaum/