This Opinion is not a Precedent of the TTAB

**UNITED STATES PATENT AND TRADEMARK OFFICE**
Trademark Trial and Appeal Board
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BUO

Mailed: September 9, 2015

Opposition No. 91220292

*Swatch AG (Swatch SA) (Swatch Ltd)*

*v.*

*The Spark Agency, Inc.*

Before Bucher, Kuhlke, and Goodman,
Administrative Trademark Judges.

By the Board:

The Spark Agency, Inc. ("Applicant") seeks to register the mark SWITCH, in standard character format, for "marketing and promotional services, namely, planning, conducting, and organizing mobile marketing exhibits, trade show exhibits, point of sale exhibits, and marketing displays for business meetings and business events for advertising purposes; design of advertising multimedia presentations and themed graphics for use in marketing campaigns for others for trade shows, business meetings, business to consumer events, and business to business events," in International Class 35; "custom manufacture of mobile marketing exhibits, trade show exhibits, exhibits for business to business events,

and exhibits for business to consumer events," in International Class 40; and "design and development of websites for others," in International Class 42.[1]

On January 21, 2015, Swatch AG (Swatch SA) (Swatch Ltd.) ("Opposer") filed its notice of opposition pleading ownership of three registrations for the marks SWATCH, in standard character format, for "watches, clocks and parts thereof," in International Class 14;[2] and:

swatch

for "watches and parts thereof," also in International Class 14;[3] and "retail store services; namely, retail shops featuring watches, watch parts and watch accessories," in International Class 42.[4] 1 TTABVUE 3, ¶ 4.[5] On March 12, 2015, Opposer filed an amended notice of opposition pleading ownership of an additional mark – SWATCH, for a wide-array of goods and services in twenty distinct classes.[6] As grounds for its opposition, Opposer alleges likelihood of confusion under

[1] Application Serial No. 86267771, filed April 30, 2014, based on Applicant's current use of the mark in commerce under Trademark Act Section 1(a), 15 U.S.C. § 1051(a).

[2] Registration No. 1671076, issued January 7, 1992. Opposer's combined Declaration of Use and Application for Renewal under Trademark Act Sections 8 and 9 was accepted on February 23, 2012.

[3] Registration No. 1356512, issued August 27, 1985. Opposer's combined Declaration of Use and Application for Renewal under Trademark Act Sections 8 and 9 was accepted on August 13, 2015.

[4] Registration No. 1799862, issued October 19, 1993. Opposer's combined Declaration of Use and Application for Renewal under Trademark Act Sections 8 and 9 was accepted on September 4, 2013.

[5] Citations to the record will be to TTABVUE, the docket history system for the Trademark Trial and Appeal Board, by TTABVUE docket entry number and the TTABVUE page number.

[6] Registration No. 3799562, issued June 8, 2010, under Trademark Act Section 44(e).

Trademark Act Section 2(d), 15 U.S.C. § 1052(d), dilution under Section 43(c), 15 U.S.C. § 1125(c), and *res judicata* (claim preclusion) based upon a prior Board proceeding, Opposition No. 91190380 ("the '380 opposition"). Opposer alleges, relevant to the present motion, that "[t]he parties in this opposition proceeding (against application no. 86/267,771) are the same as the parties in [the '380 opposition]," and "[t]he claims presented in this opposition are the [sic] based on the same set of transactional facts as those presented in the first action." 5 TTABVUE 5 and 6, ¶¶ 16 and 20.

Applicant, in its amended answer filed March 27, 2015, denied the salient allegations of the notice of opposition, except that Applicant admitted that: (i) the Board in the prior proceeding "sustained [Opposer's] Opposition against Applicant's application no. 77/505,539 for the mark SW:TCH," (ii) "[t]he parties in this opposition proceeding … are the same as the parties in Opposition No. 91190380," and (iii) with the exception of two amendments "[the] services identified in application no. 77/505,539 are identical to the services identified in application no. 86/267,771." 7 TTABVUE 4, ¶¶ 15-16 and 18. Applicant also advanced a counterclaim for cancellation of Opposer's pleaded registration No. 3799562 ("the '562 registration"). Applicant alleges as grounds for cancellation that the mark identified in the '562 registration has been abandoned as defined by Trademark Act Section 45, 15 U.S.C. § 1127.

Now before the Board is Opposer's motion for summary judgment, filed March 13, 2015, on its *res judicata* claim, and for dismissal of Applicant's counterclaim. By

its motion, Opposer alleges that Applicant "waived its counterclaim that [Opposer] abandoned [the '562 registration] when [Applicant] failed to plead this compulsory counterclaim in the first action," and "[t]his Opposition should also be sustained on *res judicata* grounds because the parties have already litigated the issue of likelihood of confusion." 6 TTABVUE 2.

In support of its motion, Opposer submitted the declaration of Jeffrey A. Lindenbaum, Opposer's counsel, which included the following exhibits:

- a copy of Applicant's trial brief filed in the '380 opposition;
- a copy of the Board's October 1, 2014 decision issued in the '380 opposition;
- a copy of the record of application Serial No. 77505539, the subject application of the prior proceeding, from the USPTO's TSDR database;
- a copy of the coversheet of the deposition transcript of Franklin J. Furlan, President of Swatch Group U.S.;
- printouts of various pages from Applicant's website; and
- a copy of portions of the deposition transcript of Kevin Quigley, Applicant's Executive Vice President and co-owner.

***Claim Preclusion (Res Judicata)***

In general a party may not file a motion for summary judgment until the party has made its initial disclosures. Trademark Rule 2.127(e)(1); *Qualcomm, Inc. v. FLO Corp.*, 93 USPQ2d 1768, 1769-70 (TTAB 2010). However, this general rule has two exceptions: 1) a motion asserting lack of jurisdiction by the Trademark Trial and Appeal Board; or 2) a motion asserting claim or issue preclusion. Trademark Rule 2.127(e)(1); *Zoba Int'l Corp. v. DVD Format/LOGO Licensing Corp.*, 98

USPQ2d 1106, 1108 n.4 (TTAB 2011) (motion to dismiss considered as one for summary judgment where it asserts claim preclusion). Therefore, Opposer's motion is timely and properly asserted.

"[U]nder the doctrine of claim preclusion or *res judicata*, 'a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action.'" *Jet Inc. v. Sewage Aeration Sys.,* 55 USPQ2d 1854, 1856 (Fed. Cir. 2000) (quoting *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 n.5 (1979)). For claim preclusion to apply there must be:

> (1) identity of parties (or their privies);
> (2) an earlier final judgment on the merits of a claim; and
> (3) a second claim based on the same set of transactional facts as the first.

This analysis implicates the doctrine of "merger," or offensive claim preclusion, where we must analyze whether the final judgment in the '380 opposition proceeding operates to foreclose Applicant from litigating the likelihood of confusion claim against Applicant's applied-for mark in the present Board proceeding.

Applicant has conceded that the parties involved in the present proceeding are identical to the parties who were involved in the '380 opposition. 7 TTABVUE 4, ¶ 16. Additionally, Applicant concedes that there was a final judgment in the prior proceeding inasmuch as the Board held that Applicant's applied-for mark was not entitled to registration. *Id.*, ¶ 17. Thus, the only issue remaining for consideration, is a determination of whether the present claims arose from the same transactional facts which should have been litigated in the prior case. Indeed, Applicant states that it "essentially agrees with Opposer that if SWITCH (the subject mark in this

proceeding) and SW:TCH (Applicant's mark in the previous proceeding) convey the same commercial impression, then Opposer would be entitled to entry of judgment under the doctrine of *res judicata*." 9 TTABVUE 7.

Therefore, we are confronted with a question of whether the presently applied-for mark and the subject mark of the '380 opposition are the same mark in terms of commercial impression. However, it cannot be concluded as a matter of law that the marks SWITCH and SW:TCH convey the same commercial impression for purposes of the claim preclusion doctrine and that the evidence relating to the issue of likelihood of confusion of the presently applied-for mark and the mark in the '380 opposition would be precisely the same. *See Be Sport, Inc. v. Al-Jazeera Satellite Channel*, 115 USPQ2d 1765, 1767 (TTAB 2015) (citing *Institut Nat'l Des Appellations d'Origine v. Brown-Forman Corp.*, 47 USPQ2d 1875, 1894-5 (TTAB 1998) ("[T]he proper test for determining whether two marks have the same commercial impression, for purposes of the claim preclusion doctrine, is the test used in tacking situations, *i.e.*, whether the marks are legal equivalents.")); *Polaroid Corp. v. C & E Vision Servs. Inc.*, 52 USPQ2d 1954, 1957 (TTAB 1999) (addition of stylization, design elements, and additional terms in applicant's later applied-for marks "result in commercial impressions for such marks which are different from" that of applicant's prior mark). Moreover, contrary to Opposer's arguments, the Board did not consider the similarity of the marks SWATCH and SWITCH in the prior proceeding. *See* 6 TTABVUE 38-40.

Accordingly, we find that claim preclusion is inapplicable under these circumstances inasmuch as the two marks applied-for by Applicant do not create substantially the same commercial impression, and evidence relating to the issue of likelihood of confusion between the parties' marks in the present action would not be the same as the evidence introduced in the record of the prior proceeding. *See Be Sport, Inc.*, 115 USPQ2d at 1768; *Metromedia Steakhouses Inc. v. Pondco II Inc.*, 28 USPQ2d 1205, 1208 (TTAB 1993).

Therefore, Opposer's motion for summary judgment is **DENIED** with respect to its claim of *res judicata*.

***Counterclaim***

Counterclaims for cancellation of pleaded registrations in Board proceedings are governed by Trademark Rule 2.106(b)(2)(i), which provides as follows:

> A defense attacking the validity of any one or more of the registrations pleaded in the opposition shall be a compulsory counterclaim if grounds for such counterclaim exist at the time when the answer is filed. If grounds for a counterclaim are known to the applicant when the answer to the opposition is filed, the counterclaim shall be pleaded with or as part of the answer. If 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.

Opposer alleges that Applicant's currently asserted abandonment claim is based upon facts learned during the '380 opposition, the abandonment claim should have been raised during that proceeding, and inasmuch as it was not, that claim has been waived. Opposer states that "[t]he fact that [Applicant] was aware of the grounds for its abandonment claim in [the '380 opposition] is evidenced by

[Applicant's] own arguments in [the '380 opposition]." 6 TTABVUE 5. Opposer cites excerpts from Applicant's trial brief in the '380 opposition, wherein Applicant alleges:

> 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. Furlan Dep., 135:14 – 140:2. … [T]he record is crystal clear that Opposer does not operate any advertising agencies in the United States under the SWATCH name. Furlan Dep., 124:20-25, 127:11-25. Opposer also does not provide marketing and advertising services to third-parties under the SWATCH name outside of the various companies and subsidiaries that operate under Opposer's umbrella. Furlan Dep., 131:7-12, 141:1 - 142:4.

In discussing this argument, the Board noted in its October 1, 2014 decision, that "Applicant may not collaterally attack the validity of Opposer's registration in the absence of a counterclaim for cancellation … . Accordingly, Applicant's argument relating to Opposer's use of the SWATCH mark for 'advertising agencies' is given no further consideration." 6 TTABVUE 37-38.

Applicant contests that "Opposer attempts to rely on arguments made by Applicant in its trial brief that the evidentiary record did not show use of Opposer's mark in connection with advertising agencies or marketing and advertising services. Opposer's Motion, [at] 4-5. However, these statements are 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." *Id*. at 5.

Trademark Rule 2.106(b)(2)(i) provides: "If 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." Further, if a plaintiff knew of the basis for the counterclaim in the prior proceeding "failure to counterclaim then" serves as a bar to bring that claim as a plaintiff in a new action. *Libertyville Saddle Shop, Inc. v. E. Jeffries & Sons Ltd.*, 24 USPQ2d 1376, 1379 (TTAB 1992).

Nonetheless, in this instance it is Opposer's burden to show that Applicant became aware of the underlying facts that constitute the basis for its abandonment claim during the '380 opposition, and specifically during the deposition of Mr. Furlan. In its brief in the '380 opposition, Applicant acknowledged Opposer's registration serves as *prima facie* evidence of Opposer's ownership and use of its marks, but pointed out the record indicated Opposer did not operate any advertising agencies under that mark. Applicant cited to Mr. Furlan's deposition taken during Opposer's testimony period. Opposer's registration issued under Section 44(e) on June 8, 2010. Mr. Furlan's deposition was taken on April 5, 2013, less than three years from the date of registration under Section 44. Defendant's trial period closed on June 5, 2013, also prior to the three year anniversary of Opposer's registration. Although a Section 44 registration issues without a need to establish use prior to registration, a party may assert a claim of abandonment against a Section 44 registration and rely on the rebuttable presumption of no intent to resume use after three years of nonuse. *See Rivard v. Linville*, 45 USPQ2d 1374, 1376 (Fed. Cir. 1998); *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 14 USPQ2d 1390, 1395 (Fed. Cir. 1990). *See also* Trademark Act Section 45, 15 U.S.C. § 1127 (a mark is deemed

abandoned "[w]hen its use has been discontinued with intent not to resume such use. … Nonuse for 3 consecutive years shall be *prima facie* evidence of abandonment."). Here, at the time of the Furlan deposition and the close of defendant's trial period the rebuttable presumption had not been triggered. Thus, at that time the facts to support such a *prima facie* abandonment claim did not yet exist. In theory, defendant could have moved to delay its trial period, reopen discovery and/or seek testimony after June 10, 2013. However, it is not certain it would have been granted such delay. We find the circumstances here do not establish that Applicant violated the compulsory counterclaim rule, where the claim was not ripe until after the close of Applicant's trial period. *Compare Vitaline Corp. v. General Mills Inc.*, 1174 (Fed. Cir. 1989) (new claim as plaintiff in a separate proceeding not allowed when counterclaim based on abandonment theory of two years non use (*prima facie* at that time) that was ripe in prior proceeding).

Accordingly, Opposer's motion for summary judgment to dismiss the counterclaim is **DENIED.**

The proceeding is **RESUMED**. Remaining conferencing, disclosure, discovery and trial dates are reset as follows:

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| Deadline for Discovery Conference | **10/9/2015** |
| Discovery Opens | **10/9/2015** |
| Initial Disclosures Due | **11/8/2015** |
| Expert Disclosures Due | **3/7/2016** |
| Discovery Closes | **4/6/2016** |
| Plaintiff's Pretrial Disclosures | **5/21/2016** |
| Plaintiff's 30-day Trial Period Ends | **7/5/2016** |
| Defendant's Pretrial Disclosures | **7/20/2016** |
| Defendant's 30-day Trial Period Ends | **9/3/2016** |
| Plaintiff's Rebuttal Disclosures | **9/18/2016** |

Plaintiff's 15-day Rebuttal Period Ends **10/18/2016**

In each instance, a copy of the transcript of any testimony, together with copies of documentary exhibits, must be served on the adverse party within thirty days after completion of taking of that testimony. Trademark Rule 2.125.

Briefs shall be filed in accordance with Trademark Rules 2.128(a) and (b). An oral hearing will be set only upon request filed as provided by Trademark Rule 2.129.