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

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|------------------------|--|
| Proceeding             | 91220292   |
| Party                  | Plaintiff<br>Swatch AG (Swatch SA) (Swatch Ltd)  |
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| Submission             | Reply in Support of Motion   |
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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 PARTIAL RECONSIDERATION**

Opposer Swatch AG (“Swatch”) respectfully submits this Reply Memorandum in support of its motion for partial reconsideration of the Board’s September 9, 2015 Order (Doc. No. 11), which denied Swatch’s motion seeking summary judgment that Applicant’s abandonment counterclaim was a compulsory counterclaim in the First Action between the Parties.

a. Applicant was Aware of the Grounds for its Abandonment Claim

Applicant cross-examined Swatch’s witness, Mr. Frank Furlan, in the First Action regarding use of the SWATCH mark in connection with Swatch’s offering of advertising services. During this deposition Mr. Furlan testified that the SWATCH mark was being used to provide advertising services to certain companies. Applicant claimed that Mr. Furlan’s testimony demonstrated that Swatch could not rely on the ‘562 Registration for advertising services because Swatch’s advertising services were purportedly rendered only for entities that

were related to Swatch. *See*, Opp. Br. (Doc. No. 6) at Ex. A at 9 (*citing* Furlan Tr. At 131, 141-42) (“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”). Applicant was unequivocal as to its position, stating in its Trial Brief that “the record is *crystal clear* that Swatch does not operate any advertising agencies in the United States under the SWATCH name.” *Id.* (emphasis added).

In sustaining the Opposition in the First action, the Board noted that Applicant had failed to plead abandonment. The Board held that absent a counterclaim, Applicant could not collaterally attack Swatch’s registration.

It is undisputed that a counterclaim for cancellation of a Section 44(e) registration can be pursued at any time prior to, or after, the three year anniversary of the registration. Moreover, the three-year presumption does not toll Rule 2.114’s requirement that a party must promptly plead a counterclaim upon discovering the grounds for the claim. The Board’s Order denying Swatch’s motion for summary judgment failed to consider whether Applicant had grounds to plead abandonment at a time *before* the three-year Presumption was triggered. When this point is considered, the facts show that the Applicant was aware of grounds (albeit erroneous) on which it could have based an allegation of abandonment. The Applicant could have, and should have timely sought leave to amend its pleading to add its abandonment claim. It did not. *National Equipment Rental, Ltd. v. Fowler*, 287 F.2d 43, 45 (2d Cir. 1961) (“Penalty for failure to assert a compulsory counterclaim is the preclusion of a later assertion of that claim, the purpose of the compulsory counterclaim device being to bring all logically related claims into a single litigation, thereby avoiding a multiplicity of suits”).

Applicant argues that prior to the three year anniversary, “Applicant would have needed specific facts to prove Swatch’s intent not to resume use.” App.’s Br. (Doc No. 13) at 2. This argument is wrong for several reasons. First, under the facts upon which Applicant says it would rely, Swatch does not have to point to evidence of an intent to resume use. The nature of Swatch’s testimony is clear: its use never ceased. Applicant’s issue is not how long Swatch was offering advertising services. The issue they raised is whether the services constitute actual use in commerce, or as Applicant argued, were “only” for internal purposes and do not entitle Swatch to a registration.

Second, Applicant was clearly on notice of the facts; Swatch is not required to identify a specific admission in the record which states that it did not intend to resume use. The statute recognizes that “[i]ntent not to resume use may be inferred from circumstances.” 15 U.S.C. § 1127. The Federal Circuit has held that “[a]lthough abandonment requires both non-use and intent not to resume use of the mark, the element of intent can be established inferentially by the same facts that establish non-use.” *Vitaline Corp. v. General Mills, Inc.*, 891 F.2d 273, 275 (Fed. Cir. 1989).

During the testimonial deposition of Mr. Furlan, Applicant explored the nature of Swatch’s use of the SWATCH mark in connection with advertising services. This was just two months prior to the three year anniversary of the ‘562 Registration. During this deposition Applicant acquired all of the information it needed to make its argument in the First Action that it was “crystal clear” that Swatch’s advertising services were not being offered in interstate commerce. Applicant’s argument was rejected in the First Action, not for lack of merit, but because Applicant failed to timely amend its answer and plead this allegation as a counterclaim.

Applicant now attempts to avoid the compulsory counterclaim rule by arguing that it was unaware of these already-asserted grounds. Applicant should not be permitted to reverse course and submit a contrary position. Applicant cannot cure this fatal defect with the submission of an argument that was already found to be untimely in the last action. The fact that Applicant's testimony closed just prior to the three-year anniversary of the '562 Registration does not change the outcome in this case because the relevant grounds were already known.

The facts before the Board are entirely analogous to the following hypothetical example: during a deposition, a registrant of a two-year old Section 44(e) registration for distilled spirits is questioned about how his company uses its mark. The witness admits that the company only operates breweries and its only product is beer. When asked specifically whether the company has any use of the registered mark in connection with distilled spirits the witness testifies that his company considers beer to be a distilled spirit. The issue in this hypothetical is not whether the brewery intends to resume use of the mark for distilled spirits – it either always has, or it never did, use the mark for distilled spirits. The issue is a legal one, and turns on whether beer constitutes a distilled spirit. If the applicant does not promptly plead a counterclaim of abandonment based on its argument that beer is not a distilled spirit, it is not permitted, under 37 C.F.R. § 2.114, to file a claim in a second action asserting that the mark was abandoned because beer is not a distilled spirit. The applicant was aware of this particular ground, but chose not to plead it.

In the case at bar, Applicant was aware of grounds on which it is relying to support its argument that Swatch's services do not constitute use in commerce. As in the above hypothetical, the issue is simply a legal one, namely whether Swatch's offering of services to alleged related entities demonstrates use in commerce. Mr. Furlan's testimony provided more

than an inference of Swatch's use and intended use of the mark. Applicant had sufficient grounds to assert its claim – and in fact Applicant did assert this claim, which already failed when it was deemed waived because Applicant did not amend its pleading in the First Action. Applicant's challenge of the nature of Swatch's use of the SWATCH mark in connection with the offering of advertising services should be precluded under Rule 2.114.

b. Applicant Should Have Sought Leave to Amend After the Three Year Anniversary

The Board's decision designates the close of Applicant's testimony period as the last day in which Applicant could have sought leave to add its claim for abandonment. But the Rules set no specific time limit for when a motion for leave to amend may be filed. Rule 2.114 states "if grounds for a counterclaim are learned during the course of the cancellation proceeding, the counterclaim shall be pleaded promptly after the grounds therefor are learned." 37 C.F.R. 2114(b)(2)(i). Likewise, Federal Rule 15 sets no deadline for seeking leave to amend, and states the "[c]ourt should freely give leave when justice so requires." Fed. R. Civ. P. 15(a)(2). In fact, Rule 15 specifically recognizes that pleadings may be amended during and after trial. Fed. R. Civ. P. 15(b). The record shows that Applicant knew at least as early as April 5, 2013 of its grounds to support its allegation that Swatch was offering advertising services only to related entities. Even if Applicant had to wait two more months for the three year Presumption to apply, Applicant still had ample time to do so.

The '562 Registration reached its three year anniversary on June 8, 2013. At this time, the Opposition was still in the trial period. The trial period was not scheduled to close until more than a month later, on July 20, 2013. The first trial brief was not due until October 18, 2013 (extended once per stipulation of the parties).

The TBMP explains that “the Board liberally grants leave to amend pleadings *at any stage of a proceeding* when justice so requires, unless entry of the proposed amendment would violate settled law or be prejudicial to the rights of the adverse party or parties.” TBMP § 507.02. If Applicant’s abandonment claim did not ripen until three years after issuance of the ‘562 Registration, then a motion to amend shortly after June 8, 2013 could have been granted. In either event, Rule 2.114(b)(2)(i) required Applicant to seek leave to amend promptly after it became aware of its grounds for cancellation. Applicant already secured Swatch’s testimony as to the nature of Swatch’s use of the mark for the challenged services. Nothing in Rule 2.114(b)(2)(i) excuses Applicant’s inaction simply because Applicant may have feared its motion to amend may be denied as untimely.<sup>1</sup> Applicant’s decision not to seek leave to plead its counterclaim but instead to merely argue abandonment in its trial brief and oral argument, bars Applicant from raising its abandonment claim, on these identical grounds, in this second action.

Respectfully submitted for Opposer,

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November 9, 2015

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<sup>1</sup> In fact, this argument apparently was not a concern by the Applicant. The Board *sua sponte* raises this possibility on Applicant’s behalf.

**CERTIFICATE OF FILING AND SERVICE**

I, Jeffrey A. Lindenbaum, hereby certify that I caused a true and correct copy of the foregoing Motion for Reconsideration 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 9<sup>th</sup> day of November, 2015.

/Jeffrey A. Lindenbaum/