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BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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| Proceeding | 92046820 |
| Party | Plaintiff Swatch AG |
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| Signature | /Jenny T. Slocum/ |
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EXHIBIT 31

Swatch news flash USA

The New York Times

III About/Watches

SUNDAY, NOVEMBER 17, 1991

Fighting the Recession By Spotting Some Fads And Inventing Others

By ISADORE BARMASH

PLAGUED by the recession, a 10 percent luxury tax on watches costing more than \$10,000 and the waning of brand loyalty, watchmakers and marketers are pulling out all the stops these days to sell their wares.

They are doing it by spicing up their lines with high-tech sports watches, multi-featured diving watches, new lines of trendy art watches as well as traditional, jewel-encrusted fashion offerings. They are also doing it by following the latest fad: offering reproductions of decades-old designs.

So far this year, world watch production is about equal to that of the late 1980s, according to *Jewelry*, a trade publication in Overland Park, Kan. Production was 23 million units in 1990, followed by Hong Kong and Switzerland. The United States is primarily an assembler of watches from parts made elsewhere. Retail sales of all watches in the United States were about \$4.5 billion last year.

"Everyone has found a niche," observes Gerry Grimberg, chairman and chief executive of the North American Watch Company, the American distributor for such high-priced Swiss brands as Piaget, Concord and Movado. "The Swiss have taken the upper price end," he said. "The Japanese have taken the lower, or middle price bracket."

Only at the very low end of market — from \$25 to \$150 — is there a free-for-all. The Swiss have a share with Swatch, the Japanese with Casio and Seiko, the Americans with Armitron (sold under dozens of different names) and the Norwegians with Timex.

Timex, which is privately held, does not disclose its overall sales figures. Industry analysts say Timex dominates the low-end market with about 24 percent of market share. It also produces the nation's largest-selling watch: the Iron Man Triathlon, a digital watch priced at \$39.95 that sells about 500,000 units a year.

At least one battle in the industry now appears to have been settled: the protracted competition between digital and analog watches. Analog watches have hands; digital watches have displays. Analog watches may have quartz or mechanical movements, while digital watches are only quartz.

The digital watch dominated the 1970's and early 80's. But in 1985, analogs broke through: 173 million analogs were sold against only 149 million digitals. Digital watches regained their lead briefly in 1986 and 1987. But in 1988, analogs took back the lead, this time permanently, industry experts say. In 1990, 265 million analog watches were sold versus 242 million digitals.

Though quartz watches dominate the market, mechanical watches still have significant, though declining, sales. In 1990, 106 million mechanical watches were sold, down from 143 million in 1985.

A New Caution

Just 1 Trendy Item, Not a Whole Line

To gain sales momentum, the watch industry is relying on design flair and creativity in introducing watches in forms of cucumbers, strips of bacon and red peppers. Art watches — some with yoked faces — are also making a reappearance.

But all that creativity is tempered by caution due to the fragile financial condition of many of the nation's retailers. That industry has caused some manufacturers to

Rather than developing entire watch collections, "there's a trend toward marketing in the business-to-business" says Gerry Grimberg, president of the North American Watch Company of America, an arm of the Citizen Watch Company of Japan. "You develop a hot item and you can sell 25,000 to 50,000 units," he says. "You want these hot items, especially those that are involved in leveraged buying, which have faster inventory turnover and less use of shelf space to pay for them."

But Seiko Time, the big Japanese producer, is still opting for collections of watches. This is especially the case with "high-tech" watches, where 70 percent of the analog quartz watches will be sold at a retail price range of \$250 to \$500.

Seiko is also bringing out some new watch styles for the 1992 Olympic Games. Seiko has been designated the official timekeeper for next year's Olympics to be held in Barcelona. "We're going to move more heavily into television with these watches," says Hal Lemsky, Seiko's executive vice president of its American operations. "The Olympic connection with the Olympics will draw a lot of attention to us."

swatch+ news flash usa

Rescuing Swatch

It Couldn't Rely On Just Teen-Agers

What can a company do when its sales finally flatten out because the novelty of its low-price, fashion products fizzles? That is the question Swatch, a unit of SMH International, the big Swiss producer, asked itself.

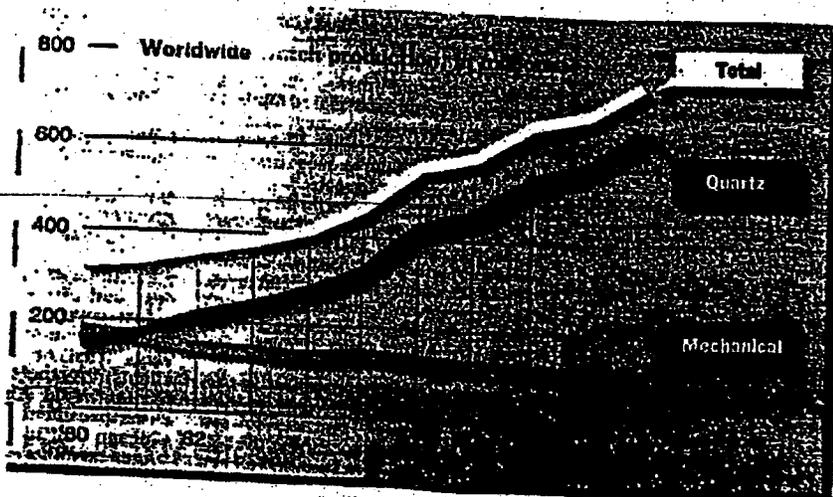
After a spectacular introduction in 1982, with new quartz technology, Swatch sold a stunning 25 million watches in the United States alone. But in the last few years, sales have dropped sharply.

Swatch decided to change its image, said Chris Keigel, vice president of sales and marketing at Swatch. "The brand had lost some of its novelty, its momentum. We were focused too heavily on teen-agers," Mr. Keigel said. "But if you target yourself on people in their 20's, the Swatch can be considered an aspirational thing, something to strive for at that age and younger."

To change its image, last year Swatch introduced a combination chronograph and watch that sold in stores for less than \$100. Swatch sold 100,000 of them in the first few weeks. It also introduced a diving watch with a plastic body and sold it for \$50 retail against the standard \$250 to \$300 for the diving watches made by its competitors.

Swatch is also "getting more American design input," Mr. Keigel said. "European styling is much more colorful, while U.S. design is more traditional, perhaps reflecting a return to basic values," he said.

But Swatch is taking no chances — just a few weeks ago it began showing the works of the Swiss-Austrian artist Alfred Hofkunst, in the form of Pop Art "vegetable" watches — like cucumbers and peppers.



The New York Times



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EXHIBIT 32

Swatch news flash USA

SWATCH

FASHION

Continued from E1
auction.

What gives? And why have other watches from companies such as Fossil, Hi-Tek and Guess become such an indispensable part of our wardrobes?

There will always be collectors looking to bid up the price of anything that's sold in a limited edition, but Alan Millstein, publisher of the Fashion Network Report, a New York-based monthly newsletter for retailers, sums up the costume-jewelry watch craze this way: People want funk with their function.

"The whole perception of a wristwatch has changed," says Millstein. "It's become a fashion accessory that you don't have to buy in drugstores any more."

It used to be, Millstein says, that most people really didn't care what their watches looked like, as long as they kept time. But today, dials are loaded with color, abstract designs and moving objects such as cutouts of fish floating in water.

Millstein says many consumers—particularly those who are 18 to 35—are thumbing their noses at pricey timepieces and are plunking down \$40 to \$100 for a Guess or a Swatch. "They want throwaway chic."

Other, more established companies, such as Timex and Bulova, he says, have jumped on the bandwagon and have manufactured nontraditional watches as well. Still, he says, Swatch is to the wrist what Levi's are to the rump.

"Swatch understood that a whole generation of consumers under 30 didn't want to own a Timex or a big, ugly, chunky watch," says Millstein. "Swatch has created a watch identity. The whole concept among Swatch wearers is that you buy an outfit at The Gap or The Limited on Thursday and buy a Swatch to go with it on Friday."

"It has become a part of the youth culture's uniform," says Mil-



Collector Stephan Gubler flew in from Zurich to see the limited edition Swatch watches, which he plans to resell for \$1,200 a pop. "I've got requests from 70 people who want the [vegetable] watches."

stein, who wears a Cartier during the day and a Swatch at night.

According to Women's Wear Daily, Swatch expects worldwide sales of \$300 to \$400 million in 1991. The company estimates U.S. sales of \$50 million, up 50% over 1990.

Amy Beth Chamberlain, of the New York-based Swatch public relations office, says Swatches may not be "the most artistic thing you've seen... but these things are still collectible."

At last week's mob scene outside Irvine Ranch Farmers Market, hundreds of collectors and scalpers lined up inside the Beverly Center's parking garage and outside near the Hard Rock Cafe. Swatch had made only 999 watches—333 sets—available, and within two hours the watches were sold out. Afterward, die-hard collectors took part in impromptu bidding

wars, offering as much as \$800 for one watch.

Similar scenes have been played out in New York, Minneapolis and Newport, R.I. On Saturday, Dallas will be bracing for the Swatch siege, and in the next two weeks vegetable markets in Washington, D.C., San Francisco and Seattle are anticipating a flood of enthusiasts.

A total of 9,999 Swatchables, designed by Vienna-born artist Alfred Hofmann, are being sold in the United States at 10 locations. Each watch is numbered and signed.

"Swatch has created a mystique by creating scarcity, which drives up the cost," says Dave Stewart, a consumer psychologist and USC marketing professor. He adds that those people who were not in line at Irvine Ranch Farmers Market last week probably reasoned,

"Well, if I can't get the limited edition at least I can get what else is available and still make that fashion statement."

Swatch, apparently, is counting on it. The company has started to market the Swatch Chino, a stop-watch in seven styles. Closer to the holidays, the company will distribute its Swiss Art Swatch—designed special edition—that will celebrate Switzerland's 700th birthday, and the Bottono, a 70s-inspired watch with 10 large buttons on the band and comes with a sewing kit and extra buttons.

"There are plenty of people out there who will spend money on jewelry that just happens to be a watch," says Stewart.

Stephan Gubler, Elizabeth Steinfeld and Mike Callahan are among those who bought Swatchables at the market. Gubler, who flew in

Los Angeles Times

25 inches; 878 words

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FAX page #3

FASHION

All Wound Up

■ Collectors Waste No Time in Slapping Hot New Watches on Wrists

By MICHAEL QUINTANILLA
TIMES STAFF WRITER

For almost 12 hours the crowd of 500 stood in a line last week to make the cut. No, they weren't waiting for concert tickets, a club opening or an Arnold Schwarzenegger movie.

They were hot to tick-tock.

The folks who gathered at the Irvine Ranch Farmers Market in the Beverly Center—and at other locations across the United States—were scrambling to get their wrists wrapped with \$100 limited-edition plastic watches called Swatchetables. There are three such styles and they retail for \$100 each or \$300 a set. The unusual setting was dictated by unusual design: The new Swatch watches look like a red chili pepper, a cucumber and an egg on a strip of bacon, and are being sold only at produce markets and grocery stores.

How the times have changed.

When the first Swatch watches were introduced in the United States in 1983, the colorful timepieces—many of which were difficult to tell time by—sold for \$25. They were no big deal. But the products sold by the Biel, Switzerland-based company soon became must-have fashion accessories for the McWatch Generation. Especially the limited-edition designs of European and American artists.

They've also become good investments. Three months ago, a Swatch designed by Italian artist Mimmo Paladino sold for \$25,432 at a Christie's auction in Zurich. In 1990, a Kiki Picasso (an artist based in Paris) design went for \$34,340 at Sotheby's in Milan. And a Swatch by the late New York artist Keith Haring that originally cost \$50 in

1986 brought in \$5,555 at the same auction.

What gives? And why have other watches from companies such as Fossil, Hi-Tek and Guess? become such an indispensable part of our wardrobes?

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"There are plenty of people out there who will spend money on jewelry that just happens to be a watch," says Stewart.

Stephan Gubler, Elizabeth Staffeld and Mike Callahan are among those who bought Swatchetables at the market. Gubler, who flew in from Zurich to buy the Swatches, teamed up with his friends from Santa Barbara and arrived at the store at 4 a.m., hours before it opened.

Customers were limited to one set, but Gubler and company got 13 sets by paying others—from \$50 to \$100—to stand in line for them. Gubler says he has already mailed several sets to collectors in Zurich—where the demand is high—who have responded to newspaper ads and have promised to pay more than \$1,200 for a set of plastic watches that look like vegetables.

Gubler, 24, always wears a "Swatch Hollywood Dreams" timepiece he bought in 1990. He stood in line for that watch in Zurich and says he witnessed fist fights among angry collectors who were left empty-wristed.

He says he doesn't know how long the Swatch collectible frenzy will last, but he's not worried.

"I've got requests from 70 people who want the (vegetable) watches."

Photo:

COLOR, Collectors are gobbling up the new \$100—or \$300 for the set—grocery-inspired plastic Swatchetables.

Photographer:

AL SEIB / Los Angeles Times

Photo:

Collector Stephan Gubler flew in from Zurich to snatch up 13 Swatchetables sets, which he plans to resell for \$1,200 a pop. "I've got requests from 70 people who want the (vegetable) watches."

Photographer:

SPENCER WEINER / For The Times

Descriptors

FASHION;
WATCHES;
FASHION ACCESSORIES;
COLLECTORS

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EXHIBIT 33

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NEWTON, MA
CAMBRIDGE TAB
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METRO-POLITAN AREA

STYLE

Swatch has great timing



"Skipper" Swatch CHRONO. Suggested retail price \$80.
For more information, call Liz Tonto at (212) 505-4034.

When fashion joins forces with function the results are a predictable success. The new Swatch Chrono graph watch is a prime example of this unbeatable high style and high technology.

The new Swatch Chrono will be one of the five hottest sell items this summer," says Marvin S. Traub, chairman and CEO of Bloomingdale's.

This fashionable timepiece is the first ever that will stop time down to the fraction of a second. It allows the wearer to measure every passing second, minute and hour with Swiss Quartz precision.

By merely pressing the start button the Swatch Chrono will record the passing seconds, minutes and hours until the stop button is pressed. At this point a tachymeter scale indicates how much time has elapsed. The stopwatch function is completely accurate for time periods from one second to 12 hours.

Swatch Chrono is available in seven stylings. Outstanding choices are hot pinks ("Flash Arrow"), Aquamarine ("Neo Wave"), and red and white stripes ("Navy Berry"), for shoppers who really want to make a splash.

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More conservative choices are available in muted tones of "Black Friday," "Goldfinger," "Silver Star," and "Skipper." So are banded in genuine leather strapping.

With this forward thinking European import, there's no excuse necessary for tardy engagements — there simply won't be any.

Alison Hunter, spokeswoman for Bloomingdale's in Chestnut Hill, reports the astounding popularity of this amazing timepiece. "It's not easy to keep it in stock. We had one order for 35.0 alone," she says.

At \$80 it's easy to see why consumers feel this is indeed a worthwhile investment. Europeans thought so. After a wildly successful introduction in Switzerland, Germany, France and Italy, Swatch Chrono is now available at Bloomingdale's and other select jewelry stores across the country.

As we go to press we note the watch has been a complete success at Bloomingdale's, but Hunter advises us they are more than happy to take your order for mid-July delivery.

EXHIBIT 34

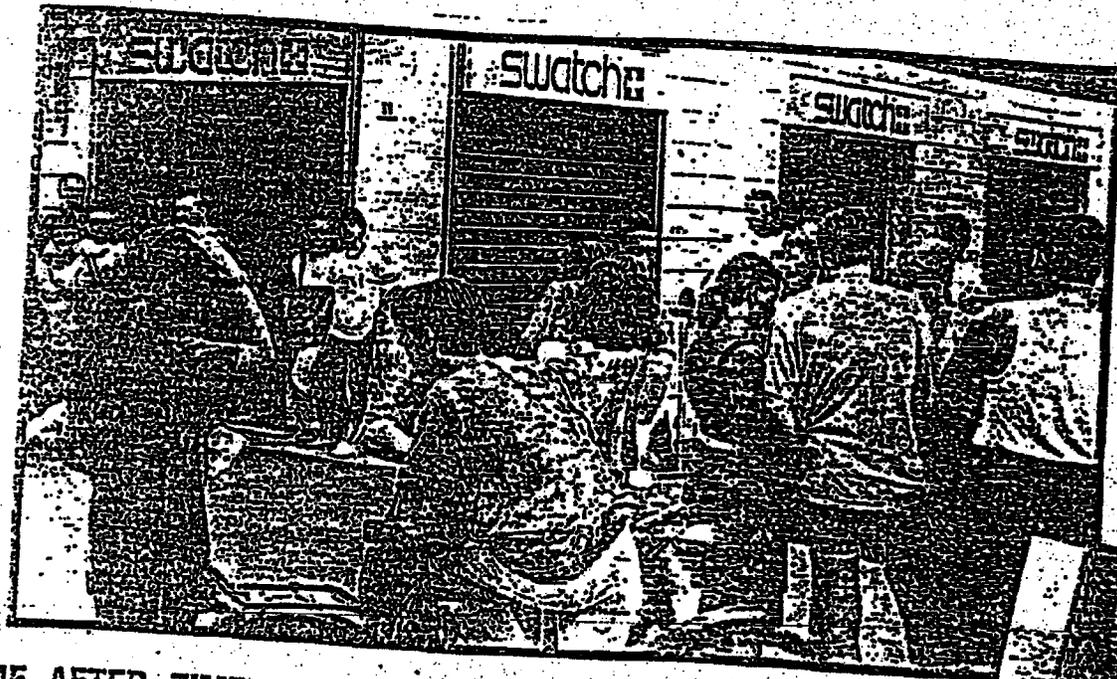
swatch news flash usa

WOMEN'S WEAR DAILY
New York, NY

DAILY

64,938

AUG 20, 1991



TIME AFTER TIME

In Milan, they began forming a line for it at 4:30 a.m., waiting for a store to open at 3 p.m. In New York, Bloomingdale's has a list of people who want it, and Macy's calls it "an absolute blowout."

The object of this attention: the Swatch Chronograph watch (right), which sells for 100,000

lire (\$77) in Italy and about \$80 in the U.S., where it has been a sellout since mid-June.

When an ad ran in Milan newspapers saying a new batch of Chronos was on its way to the new Swatch shop inside the Fiorucci store, the lines began to form (above). Within an hour of the opening, a spokeswoman

said, all available models were sold and dozens of people were turned away empty-handed.

In Italy, Swatchmania has become so widespread, Chronos can fetch from 350,000 to 400,000 lire on the black market. Swatch Watch USA has sold over 11,000 units to its major accounts since June 28



PHOTO BY MARY ELI SHAPIRO

EXHIBIT 35

GOVS. SEEK AID FOR CHILD HEALTH CARE

metro

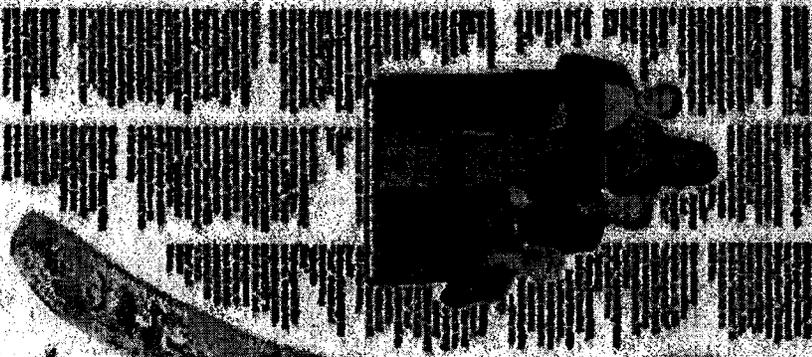
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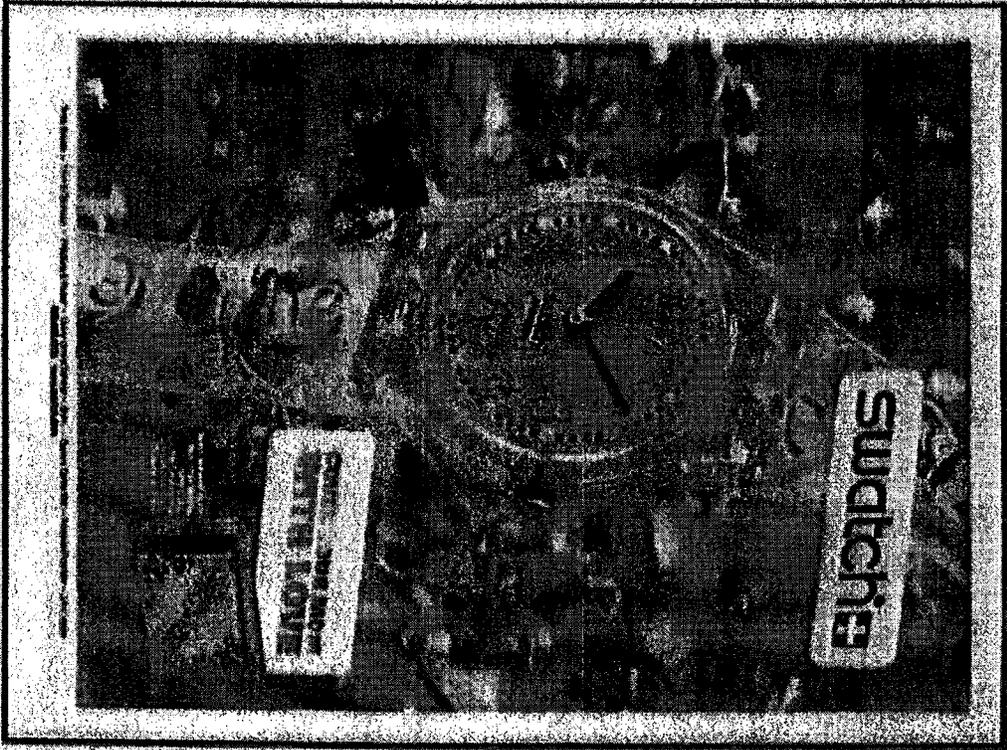
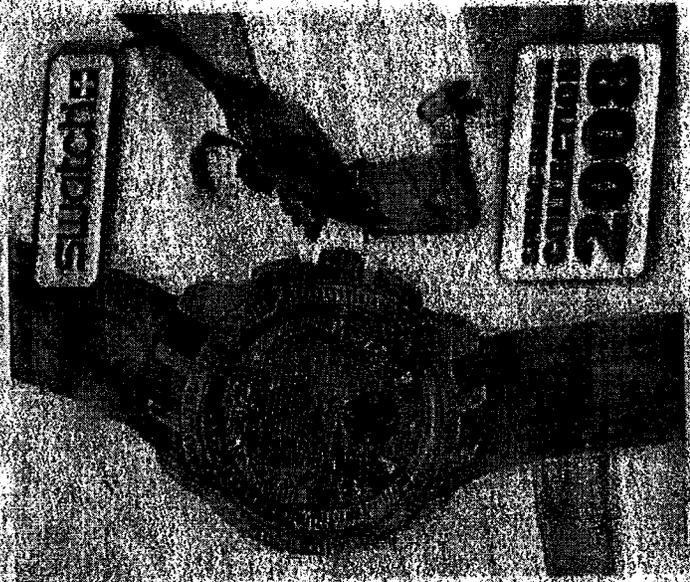


EXHIBIT 36



Subplots

NOVEMBER 1988



DEATH'S

RYAN
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BRYAN

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SWITCHES



THE NEW AGE
The new age of
technology

Page Six
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THE
ISSUE
with Joe

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