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Attorney Docket No. 20750-041500US

CERTIFICATE OF MAILING

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TOWNSEND *and* TOWNSEND *and* CREW LLP

By: Eddie Shine
Eddie Shine

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In re: Application Ser. No. 78/762,928
Published: August 1, 2006
Mark: **PODFITNESS**

In re: Application Ser. No. 78/775,610
Published: August 22, 2006
Mark: **PODFITNESS.COM & Design**

In re: Application Ser. No. 78/787,637
Published: September 5, 2006
Mark: **PODPOCKET**

In re: Application Ser. No. 78/800,739
Published: September 5, 2006
Mark: **PODWORKOUT**

APPLE INC.,

Opposer,

vs.

PODFITNESS, INC.,

Applicant.

Opposition No. 91/173,003

OPPOSER APPLE INC'S REPLY IN SUPPORT OF MOTION TO SUSPEND PENDING A CIVIL PROCEEDING UNDER 37 C.F.R. §2.117(a)

I. INTRODUCTION

Applicant PodFitness, Inc. does not, and can not, deny that the litigation between the parties encompasses, and will be dispositive of, the issues before the Board in this proceeding, nor that, under these circumstances, the usual rule of the Board is to suspend the opposition proceedings. Applicant has shown no legitimate reason for deviating from this well-grounded rule here.

In a thinly-veiled attempt to set the stage for an attempt to delay a likely court injunction against its infringing and diluting conduct,[1] Applicant argues that this proceeding should not be suspended because the Trademark Trial and Appeal Board would supposedly be the better venue for deciding the dispute between the parties. Therefore, according to Applicant, the usual rule requiring suspension herein should not be followed by the Board in this case. Apple strongly disagrees for several reasons, as detailed below, but primarily on the basis that proceeding with the opposition will waste both the parties' and the Board's time and resources, as the Board's jurisdiction is limited and cannot address Applicant's ability to use the opposed trademarks, but only the registrability of Applicant's marks. Due to its broader jurisdiction, only the federal court is empowered to resolve all of the issues in dispute between the parties and to give Apple the full and complete relief it has requested in its Complaint. Therefore, the only logical approach is for the litigation to be resolved first. In contrast, were the Board to deny this motion and require this opposition to proceed as scheduled, the civil action would also need to proceed, either simultaneously or after the opposition is resolved. This would result in judicial

[1] Applicant has indicated that it will try to obtain a stay of the court proceeding, but has not yet filed a motion — a motion which Apple will strongly oppose and one which it does not expect the court to grant.

inefficiency as well as a duplication of the parties' efforts and additional, unnecessary costs expended to litigate this matter in two forums.

Applicant's efforts to obfuscate the only sensible approach here, by raising unsupported claims about the need for some generalized direction from the Board on some vague "POD-formative" marks, is meritless and should be rejected. Therefore, Apple urges the Board to grant its motion and suspend this proceeding pending resolution of the civil action between the parties.

II. PRINCIPLES OF EFFICIENCY AND ECONOMY MANDATE THAT THE OPPOSITION BE SUSPENDED PENDING RESOLUTION OF THE COURT PROCEEDING

The outcome of the civil action between the parties will directly affect the opposition proceeding before the Board, and principles of economy and efficiency therefore dictate that the opposition be suspended until the court action has been resolved. This is consistent with the usual rule, since the Board traditionally suspends proceedings that are the subject of a civil court action if that action would affect the proceedings before the Board. *See* T.B.M.P. § 510.02 (a), and cases cited in footnotes 168 through 180 therein.

A. The Court's Judgment Will Be Binding on the Board

Apple's opposition to the marks herein is based on a likelihood of confusion with its **IPOD** and **POD** marks and dilution of its famous **IPOD** mark. As evidenced by a review of the complaint filed with Apple's motion to suspend, Apple has filed a federal lawsuit against Applicant for use of these same marks and setting forth claims for trademark infringement, unfair competition, trademark dilution, and untrue and misleading advertising, and seeking a court judgment that Apple's **IPOD** and **POD** marks have been infringed and diluted by Applicant, a permanent injunction barring Applicant from using or infringing the **IPOD** and **POD** marks, and damages, among other relief. Thus, there is no question but that the issues

before the court — although broader than the issues here — encompass the very same factual and legal questions as are at issue in this opposition.

Under the doctrines of res judicata and collateral estoppel, the court's decision on the common issues will be binding on the opposition proceeding. *See, e.g., Larmi Corp. v. Talk to Me Programs, Inc.*, 36 U.S.P.Q.2d 1840, 1844 (T.T.A.B. 1995). *See also* T.B.M.P. § 510.02(a). If the court judgment is that the Applicant's mark infringes and dilutes Apple's mark, there will be no need for these issues to be addressed in the opposition at all. This case therefore far exceeds the usual standard for suspension: that the resolution in court will have "some bearing" on the outcome of this opposition proceeding. 37 C.F.R. § 2.117; T.B.M.P. § 510.02(a). *See Other Telephone Co. v. Connecticut Nat'l Telephone Co.*, 181 U.S.P.Q. 779 (T.T.A.B. 1974) (finding suspension proper when decision in civil action for infringement and unfair competition would have "direct bearing" on outcome of Section 2(d) claim before Board). Further, Apple has requested in its Prayer for Relief in the Complaint an order from the district court compelling the United States Patent and Trademark Office to order that Defendant-Applicant is not entitled to any trademark registrations for its marks and specifically lists Application Serial Numbers 78/762,928; 78/775,610; 78/800,739; and 78/787,637, which are at issue in this opposition. *See General Motors Corp v. Cadillac Club Fashions, Inc.*, 22 U.S.P.Q.2d 1933 (T.T.A.B. 1992) (cancellation action suspended in favor of federal district court action where relief sought in federal district court included an order directing Office to cancel registration involved in cancellation proceeding). There is no question but that the court action will resolve many, if not all, of the issues in this opposition.

In contrast, Applicant's position that the opposition should proceed first does not promote efficiency or economy. It further risks inconsistent decisions. As the Board stated in *Tokaido v. Honda Associates Inc.*, "while a decision by the District Court would be binding upon the Patent

Office, a decision by the Trademark Trial and Appeal Board would only be advisory in respect to the disposition of the case pending in the District Court." 179 U.S.P.Q. 861, 862 (T.T.A.B. 1973) (emphasis added). See also T.B.M.P. § 510.02(a). Thus, if the opposition were to proceed before the Board, and the Board were to decide that Applicant were entitled to registration of the marks, the court judgment could still be that Applicant's conduct is infringing and/or diluting and that Applicant is not entitled to such registrations, with which the USPTO must conform. Thus, it is only reasonable to suspend the Board's proceeding and allow the federal district court judgment to proceed.

B. The Court Is Empowered to Grant the Broader Relief Sought

Equally important as the avoidance of unnecessary and duplicative proceedings, suspension makes sense because the Board simply cannot address Apple's other claims against Applicant. As noted above, Apple has asserted a variety of claims against Applicant, involving not only infringement and dilution, but trade dress infringement, unfair competition, and false advertising. "[J]udicial economy warrants a consolidation of issues, including those which may be presented for determination by the Board or which may have a bearing on an issue before the Board, into one forum vested with the authority to hear all issues presented." *Other Telephone Co. v. Connecticut Nat'l Telephone Co.*, 181 U.S.P.Q. 779, 782 (T.T.A.B. 1974) (staying Board proceedings pending final disposition of issues by other forum).

Nor can the Board provide Apple the full relief it seeks against Applicant. If the parties were required to first proceed in the opposition, and judgment were then rendered by the Board, Apple, who is being damaged by Applicant's continuing use of infringing and diluting marks, would still need to seek an injunction from a federal district court to require Applicant to cease use of its infringing marks, relief that the Board can simply not provide. As the civil court's jurisdiction is broader, encompassing both the power to decide the issues of registrability of

Applicant's marks as well as infringement and dilution resulting from use of Applicant's marks, the decision it will render will resolve all of the issues in dispute between the parties and thereby allow Apple to receive full and complete relief for its claims in one forum.

III. APPLICANT OFFERS NO REASONABLE JUSTIFICATION FOR DEVIATING FROM THE STANDARD PROCEDURE MANDATING SUSPENSION OF THE OPPOSITION HERE

Applicant has concocted various arguments why the Board should proceed, none of which support denial Apple's motion to suspend.

First, Applicant makes a great deal of the fact that it alone, allegedly, has been the subject of a civil lawsuit filed by Apple, although Apple has filed oppositions to a number of other POD-formative marks. These facts, even if true, are irrelevant. Apple is certainly entitled to decide for itself when it needs to seek the full and final relief provided by a court to protect its famous **IPOD** mark from infringing and diluting conduct. There is also no support, either in the law or in logic, for Applicant's suggestion that the Board weigh the number of oppositions versus the number of court cases in deciding whether suspension in this forum is appropriate. Accordingly, Applicant's citation to the number of oppositions allegedly filed by Apple before the Board against third parties is irrelevant, even if it were factually correct, which Apple denies.[2]

Similarly, Applicant's allegation that there is some vague "industry dispute" over the right to use POD-formative marks and that some efficiency would be gained by having the Board

[2] Applicant's figures as to the number of "oppositions" instituted by Apple are patently incorrect. A review of Applicant's Exhibit A submitted with its opposition brief shows that Applicant's figure of "129 oppositions" includes Apple's requests for extensions of time to oppose certain applications, which are not oppositions. Further, Applicant assumes that all the oppositions are still pending. Had Applicant actually reviewed any of the dockets of those proceedings, which include proceedings initiated five years ago, it would have noted that a great many of them have been terminated. Lastly, Applicant has counted some matters twice by counting it once when Apple took an extension of time to oppose an application and counting it again once Apple actually filed an opposition. The actual number of active oppositions that Apple is prosecuting with regard to POD-formative marks is under 20.

first adjudicate "whether POD-formative terms are entitled to federal trademark registration" is completely meritless. Each opposition involves a different mark and different goods and/or services from those of Applicant. There are very few issues common to these cases, other than Apple and its IPOD marks. There is also no support for Applicant's apparent request that the Board issue some generalized ruling here that would somehow be authoritative in determining whether other marks infringe or dilute Apple's marks, and none exists. The determinations of trademark infringement and dilution are plainly fact-specific, and Applicant's "POD-formative" mark is simply not the same as other POD-formative marks to which Applicant refers. Because the determinations of infringement and dilution by Applicant here have nothing to do with third party marks, no efficiency will be gained by having this proceeding continue before the court action is resolved. On the other hand, there are clearly common issues in this opposition and in the court proceeding as to whether Applicant's Marks, or any of them, infringe Apple's **IPOD** and **POD** mark and/or dilute its famous **IPOD** mark, and efficiency compels that the binding court ruling be made first

Further, no special expertise of the Board is called upon here. The district court is well prepared to make the determination of whether or not Applicant's Marks infringe or dilute Apple's marks. *See, e.g., Goya Foods, Inc. v. Tropicana Prods., Inc.*, 846 F.2d 848, 853 (2d Cir. 1988) (likelihood of confusion is "a legal standard with which courts have long-standing familiarity"). The determination of those issues in district court also will take into account all facts surrounding the applicant's use of the marks and the consumers' perception in the marketplace, facts that may not be considered by the Board in determining the registrability of Applicant's Marks.

Likewise, Applicant's argument that suspending this opposition "may create inconsistent results," does not present a legitimate reason for denying Apple's motion. Incredibly, Applicant

cites the fact that different court actions against different parties involving different POD-formative marks could result in different judgments as a reason why the Board needs to resolve this matter first. Of course, infringement and dilution being fact-specific claims, there could be different results in different cases, but this would be completely proper under the law, and hardly presents a reasonable justification for failing to follow the usual practice mandating suspension here.[3] Further, since the Board's decision would only be advisory upon the federal district court, Applicant's suggestion that proceeding with the Board opposition first will promote efficiency and avoid inconsistent results is, at best, mere speculation, and is not sufficient to overcome the clear efficiency of having a court's binding judgment first.

Applicant's final argument that suspension of the opposition would result in increased costs to it is equally specious. There is no precedent — and no reasonable grounds — for denying a request to stay a Board proceeding that has just commenced simply to accommodate an Applicant's hope that suspension will avoid it having to "absorb the costs of a long federal litigation." Moreover, Applicant's alternative approach may well actually cause it to expend more money and time litigating the dispute — as well as waste the Board's time — by requiring the dispute to be litigated twice in two different forms.[4] Suspension of the Board action in favor of the civil action poses no genuine, unfair prejudice to Applicant, and certainly no such prejudice that outweighs the benefits gained by avoiding unnecessary, duplicate proceedings.

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[3] Applicant's reference to unrelated third party oppositions to Apple's application for registration of **POD**, and any of those opposers' alleged prior use of POD-formative marks, is improper and should be disregarded. Apple's opposition herein is based on likelihood of confusion with its marks **IPOD** and **POD**, and dilution of its famous **IPOD** mark, and third parties' alleged senior rights to "POD" is simply irrelevant to the issues between the parties' here.

[4] Applicant has stated in its opposition brief that it intends to file a motion to stay the civil action pending disposition of opposition by the Board. As of the date of this reply brief, Applicant has not filed such motion, and its representation to that effect is insufficient grounds to force the Board to delay in deciding Apple's motion to suspend.

Applicant's true motivations herein are apparent: to delay being properly enjoined from use of its marks, a remedy it knows the Board cannot order. Applicant wishes to continue its infringing and diluting conduct while the parties spend time and money litigating the matter solely before the Board, which typically entails lengthier proceedings, and then force them to expend more money and time litigating the dispute before the federal district court. Such a delay is unacceptable and unjustified.[5]

IV. APPLE'S MOTION IS PROCEDURALLY AND SUBSTANTIVELY SUFFICIENT

Applicant belabors the requirements for a motion to suspend pending the outcome of a civil action. All that is required is for the motion to be made and that a copy of the relevant complaint be filed with the motion for the Board's review. Apple cited the appropriate law, provided a copy of the complaint, and stated its grounds for its motion. Any further elaboration on the grounds would have been superfluous. Applicant is simply grasping at straws in an attempt to find some reason why the parties should be forced to litigate this matter in two forums.

V. CONCLUSION

Principles of efficiency and economy of resources clearly mandate a stay of this proceeding pending resolution of the civil action between the parties that involves common

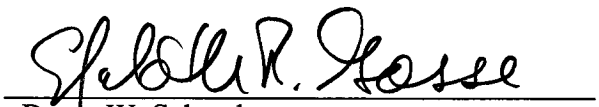
[5] Applicant's Notification Based on Additional Facts informs the Board that the trial between the parties in District Court is scheduled to begin on June 23, 2008. The District Court set this trial date over objection from Apple, which sought a trial date in late 2007, in response to Applicant's request for a *later* trial date in mid-2008. This development should be of no consequence to the Board on this motion, if only to show that Applicant wishes to delay litigation of this matter. In any event, the Board proceeding simply does not present a more expeditious way of resolving the parties' dispute. While the present opposition schedule calls for conclusion of the trial in this proceeding later this year, the proceeding will not fully address Apple's claims against Applicant nor determine Apple's right to full relief from Applicant's wrongful conduct. And, of course, it is mere speculation to assume the trial herein will conclude on the presently-scheduled date and that the Board will be able to rule shortly thereafter.

issues of fact and law. Applicant has failed to raise one valid reason why the Board would be better suited than the federal district court to first decide this case and why this dispute needs to be litigated in two forums, resulting in judicial inefficiency and unnecessary expense to the parties. Therefore, Apple urges the Board grant its motion to suspend this proceeding pending resolution of the federal district court action.

Date: January 29, 2007

Respectfully submitted,

TOWNSEND *and* TOWNSEND *and* CREW LLP

By: 

Bruce W. Schwab
Margaret C. McHugh
Elizabeth R. Gosse

Attorneys for Opposer
APPLE INC.

Two Embarcadero Center, 8th Floor
San Francisco, CA 94111-3834
Tel: 415-376-0200
Fax: 415-576-0300

60962257 v2

CERTIFICATE OF SERVICE

I hereby certify that on January 29, 2007, I caused the foregoing **REPLY IN SUPPORT OF OPPOSER'S MOTION TO SUSPEND PENDING A CIVIL PROCEEDING UNDER 37 C.F.R. §2.117(a)** to be served by United States mail, postage prepaid, in an envelope addressed to:

Richard C. Gilmore, Esq.
Workman Nydegger
1000 Eagle Gate Tower
60 East South Tower
Salt Lake City, Utah 84111
Attorney for Applicant

Eddie L. Shine
Eddie L. Shine