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

Proceeding	91176851
Party	Plaintiff Peer Bearing Company
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Date	06/08/2010
Attachments	Response Brief 7500 SERIES.pdf (29 pages)(1302452 bytes)

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

Peer Bearing Company	)	
	)	
Opposer,	)	
	)	Opposition No. 91176851
v.	)	
	)	In the matter of Application Serial No.: 78/754,876
RBC Bearings Inc.	)	Mark: 7500 SERIES
	)	
Applicant.	)	
	)	

**OPPOSER'S RESPONSE BRIEF IN OPPOSITION
TO APPLICANT'S MOTION TO SUSPEND**

The Motion to Suspend filed by Applicant RBC Bearings, Inc. has absolutely no basis in fact or law. Applicant is desperately attempting to put off the day of reckoning when it will be determined that it does not have the right to register the generic or merely descriptive term 7500 SERIES for use with ball bearings. Applicant does not, however, have the right to misrepresent the status of Case No. 3:06-cv-01380 entitled *RBC Bearings, Inc. and Rolling Bearing Company of America, Inc. v. Peer Bearing Company* that was formerly pending in the United States District Court for the District of Connecticut (the "Connecticut Litigation"). For the reasons set forth below, the Board should deny the Applicant's Motion to Suspend.

Appeal Of The District Court's Award Of Partial Summary Judgment To Opposer Will Not Address The Registerability Of The 7500 SERIES Term

Although Applicant represents that the outcome of the Appeal[1] concerning the Connecticut Litigation "has bearing on the present opposition," the opposite is, in fact, true. Applicant's Motion, pp. 1 and 4. In particular, all claims with respect to the 7500 SERIES term

[1] Case No. 10-383 entitled *RBC Bearings, Inc. and Rolling Bearing Company of America, Inc. v. Peer Bearing Company* in the United States Court of Appeals for the Second Circuit.

were dismissed with prejudice on December 30, 2009 pursuant to the plaintiffs' motion, and the Appeal that is presently pending before the Second Circuit has absolutely nothing to do with the 7500 SERIES term.[2] Opposer has been and will continue to be permitted to use the term 7500 SERIES pursuant to the dismissal of 7500 SERIES claims against Opposer in the Connecticut Litigation. Consequently, the outcome of the Appeal will not have any bearing on Opposer's right to use the 7500 SERIES term, nor will it have any bearing on whether Applicant is entitled to register the term 7500 SERIES.

It is particularly telling that Applicants did not raise the Connecticut Litigation in its previously-filed "Motion to Continue Suspension of the Proceedings" filed on September 28, 2009, which the Board denied. This last ditch desperate effort to suspend this Opposition based on a MLS representation that the Connecticut Litigation "has bearing on the present opposition" should be strongly repudiated.

The Arbitration Will Not Address
<u>The Registrability Of The 7500 SERIES Term</u>

As a second basis for suspension, Applicant raises a contractual arbitration between SKF Industries, Inc. and other entities allegedly in privity with the Applicant. This basis is insufficient for several reasons. First, as a preliminary matter, the statement in the motion that "SKF and Opposer are one in the same" is unsupported. While Opposer Peer Bearing Company is now a subsidiary of SKF, it must be noted that SKF acquired Peer long after this Opposition was commenced and Opposer Peer was and is a separate corporation.

Second, and more importantly, the Arbitration simply has no bearing on the registrability of the marks pursuant to its own terms. Specifically, the Claimants' Demand specifically states

2 *See*, Opposer's Status Report filed January 19, 2010 and Exhibits A and B thereto.

that "the arbitration panel, at the outset, need not address the relative merits of RBC's trademark rights in the product designations." Applicant's Exhibit A, Demand for Arbitration and Statement of Claims, ¶3 (emphasis added).

Furthermore, the Claimants also expressly represented to the Arbitration Panel that "RBC does not seek a finding from this Panel that it has common law or registered trademark rights in the Nice product designations, an issue that is being resolved in a different forum." See **Exhibit A** attached, Claimants' Opposition to Respondent's Motion for Summary Disposition and Claimants' Memorandum of Law in Support of its Cross-Motion for Summary Disposition," page 1.

Thus, the claimants in the Arbitration expressly admit that the Arbitration Panel will not address the issue of whether this mark is registrable to Applicant and, in fact, they told the Panel that it did not need to decide this issue due to the TTAB proceedings and the Connecticut Litigation. However, since the claims in the Connecticut Litigation relating to 7500 SERIES were dismissed by RBC, this issue cannot be decided there. That leaves only the TTAB to decide these issues. As admitted in Applicant's Motion, the Arbitration will determine solely if there was a breach of contract by SKF USA, Inc. In short, the Arbitration is a contract dispute between SKF and some of the RBC entities, and it will not determine whether the 7500 SERIES term is entitled to registration.

Conclusion

In the public interest, the Board must decide this opposition to determine if Applicant RBC Bearings is entitled to registration of this clearly generic and/or descriptive mark. The arbitration panel will not make this determination and it is not an issue pending in the

Connecticut Litigation. Thus, the instant proceeding remains the only forum to decide the issue of registerability of the mark.

Therefore, it is respectfully requested that Applicant's Motion to Suspend be denied and that the discovery and trial dates in this opposition be reset to permit the parties to finalize discovery in this matter.

Respectfully submitted,

Date: June 8, 2010

By: / Thomas C. McDonough /
One of the Attorneys for Opposer,
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CERTIFICATE OF TRANSMISSION

I hereby certify that the enclosed **OPPOSER'S RESPONSE BRIEF IN OPPOSITION TO APPLICANT'S MOTION TO SUSPEND** is being electronically transmitted via the Electronic System for Trademark Trials and Appeals ("ESTTA") at http://estta.uspto.gov/ on the date noted below:

Date: June 8, 2010

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CERTIFICATE OF SERVICE

I, Thomas C. McDonough, an attorney, state that I served a copy of the enclosed **OPPOSER'S RESPONSE BRIEF IN OPPOSITION TO APPLICANT'S MOTION TO SUSPEND** upon:

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by depositing said copy in a properly addressed envelope, first class postage prepaid, and depositing same in the United States mail at Two North LaSalle Street, Chicago, Illinois, on the date noted below:

Date: June 8, 2010

By: / Thomas C. McDonough /

NGEDOCS: 1716143.1

EXHIBIT A

AMERICAN ARBITRATION ASSOCIATION
NORTHEAST CASE MANAGEMENT CENTER
EAST PROVIDENCE, RHODE ISLAND

RBC NICE BEARINGS, INC. and ROLLER BEARING COMPANY OF AMERICA, INC. and ROLLER BEARING COMPANY OF AMERICA, INC. d/b/a NICE BALL BEARINGS, INC.,	:	
Claimants,	:	Case No.: 14 152 01622 09
v.	:	
SKF USA, INC.,	:	
Respondent.	:	November 10, 2009

CLAIMANTS' OPPOSITION TO RESPONDENT'S MOTION FOR SUMMARY DISPOSITION AND CLAIMANTS' MEMORANDUM OF LAW IN SUPPORT OF ITS CROSS-MOTION FOR SUMMARY DISPOSITION

I. Summary of Argument

This case concerns SKF's conduct resulting in multiple breaches of the representations and covenants it made to RBC regarding the Nice product designations it transferred to RBC in the 1997 Asset Purchase Agreement ("the 1997 Agreement" or "Agreement") and related Bill of Sale. Contrary to SKF's assertions, this case is not about RBC's trademark rights in the Nice product designations. RBC does not seek a finding from this Panel that it has common law or registered trademark rights in the Nice product designations, an issue that is being resolved in a different forum.

By the 1997 Agreement and related Bill of Sale, RBC acquired from SKF all of the assets of the Nice Specialty Bearings division. SKF expressly represented that it had the right and authority to transfer, and did transfer, all of the assets of the Nice Specialty Bearings division, including the Nice product designations. SKF made this representation as an express inducement for RBC to enter into the $6.8 million Agreement. SKF further represented that the Nice product designations were free and clear of any encumbrances or restrictions, including third party use.

Beginning in 2007, SKF, contrary to the representations it made in the 1997 Agreement, embarked upon a policy of systematic interference with RBC's operation of the Nice division. On April 18, 2007, SKF filed trademark opposition proceedings against RBC, asserting that it never sold certain of the Nice product designations, including, more particularly, the SERIES product designations to RBC in the first place. SKF's trademark opposition proceedings delayed and otherwise interfered with RBC's attempt to register the SERIES product designations as trademarks. On April 30, 2009, SKF supported the Peer Bearing Company in Peer's defense of a trademark infringement suit brought against it by RBC. Peer is now SKF's wholly owned subsidiary. In the Peer case, SKF submitted an affidavit from its former general counsel, Allen Belenson, affirming that SKF never sold the SERIES product designations to RBC. With this concerted about-face, SKF blatantly disregarded the $6.8 million bargained for representation it made to RBC under the 1997 Agreement, namely, that SKF had and did effectuate a transfer of ownership of the Nice product designations to RBC, including the SERIES product designations.

In addition, SKF made express and implied covenants to RBC under the 1997 Agreement. SKF covenanted that it would act reasonably and cooperatively in consummating the transactions contemplated by the 1997 Agreement, and that it would do nothing to destroy or injure RBC's contractual right to receive and exploit the fruits of the 1997 Agreement. SKF's recent course of conduct, claiming it never sold the SERIES product designation to RBC and taking affirmative steps to block RBC's trademark registrations, cannot be said as compliance with its express and implied covenants under the 1997 Agreement.

Moreover, SKF purchased the Peer Bearing Company in 2008; Peer is now an SKF subsidiary. SKF deliberately permits Peer to continue selling bearings using the same Nice product designations that SKF sold to RBC, including the SERIES product designations and individual bearing designations. And SKF reaps the profits from these sales despite originally selling the Nice product designations to RBC. Indeed, SKF has done nothing to stop Peer and has shown every indication that it will continue to allow Peer to sell bearings using the Nice product designations.

Despite the foregoing, SKF incredulously asserts that it has done nothing wrong and that it is entitled to summary disposition. In so moving, SKF only exposes the weakness in its defense: as is discussed more fully below, RBC has not waived its right to arbitrate the 1997 Agreement, as this Agreement involves entirely different legal and factual issues than the litigation referred to by SKF; the judicial privilege is inapplicable to SKF's conduct; none of RBC's claims are stale; and indemnification is proper. At the same time, RBC will show that it, alone, is entitled to summary disposition, not SKF.

II. BACKGROUND

RBC and SKF are in the business of manufacturing and distributing ball bearings. *See* SKF Answering Statement, October 9, 2009 at 3 (hereinafter referred to as "SKF Answering Statement"). Ball bearings are products with varying sizes, engineering specifications and industry applications. *Id.*

The NICE Ball Bearing Company, founded in 1902, is the oldest ball bearing manufacturer in the United States. *See* NICE/SKF Catalogue, dated 1966 at p. 1 (Exhibit A). In 1960, SKF purchased the NICE Ball Bearing Company and operated it until 1997 as the Nice Specialty Bearings business. *See* SKF Proposed Findings of Fact, dated November 15, 2006

(Exhibit B). During its thirty-seven year ownership of NICE, SKF marketed and sold the more than 200 individual types of Nice bearings, through its catalogues, using Nice product designations such as the "400 SERIES", "500 SERIES", "600 SERIES", "1600 SERIES", "3000 SERIES", "5000 SERIES", "6900 SERIES", "7500 SERIES", and "7600 SERIES" ("the SERIES product designations"). *See generally* NICE/SKF Catalogue, dated 1966 (Exhibit A); NICE/SKF Catalogue, dated 1975 (Exhibit C); NICE/SKF Catalogue, dated 1983 (Exhibit D); NICE/SKF Catalogue, dated 1987 (Exhibit E); *see also* 1997 Sales and Supply Agreement, Schedule 6 (listing part numbers) (Exhibit F). Nice product designations, in these catalogues, also included the more than 200 individual bearing part designations.

In each catalogue, SKF categorized individual bearings under a respective SERIES product designation. On page ten of the 1975 catalogue, for instance, the 1600 SERIES product designation encompassed discrete bearings with the individual product designations of 1601 through 1658. This SERIES designation (and other SERIES designations) were identified prominently and repetitively in both the introductory and SERIES pages in a given catalogue, with individual bearing designations.

In 1997, SKF sold the NICE Specialty Bearings business to RBC pursuant to the February 28, 1997 Asset Purchase Agreement (the "1997 Agreement"). *See* 1997 Agreement, (Exhibit G); *see also* SKF Memorandum of Law In Support of Respondent SKF USA, Inc.'s Motion For Summary Disposition, dated October 23, 2009 at 2 (hereinafter referred to as "SKF Motion For Summary Disposition").

The 1997 Agreement contemplated a Purchase Price of approximately $6.8 million. *See* 1997 Agreement at 5; Section 2.06 at 9. In exchange for the $6.8 million Purchase Price, SKF bound itself to transfer all assets defined in Article II of the 1997 Agreement, entitled "Transfer of Assets", and that it would do so free and clear of any liens, encumbrances or restrictions on the Transferred Assets other than those liens expressly allowed. *See* 1997 Agreement at 5-11. As described in Article II, the term "Transferred Assets" means:

> ... free and clear of all Liens, other than Permitted Liens, all the assets, properties, rights, licenses, permits, contracts, causes of action and claims, of every kind and description ... wherever located, whether tangible or intangible, real, personal or mixed, that are used, owned by leased by or in the possession of Seller in connection with the Business.

See 1997 Agreement, Section 2.01 at 5-6. In addition, Transferred Assets specifically included *"all product designations used in Seller's catalogue with respect to the Products"* and the goodwill associated therewith. *Id.* at Section 2.01(n), p. 7 (emphasis added); Section 2.01(m). And, all "... sales and promotional literature ... related to the conduct of the Business ..." *Id.* at Section 2.01(k).

In the same transaction, RBC acquired every intellectual property right in the NICE business. This included "all patents, copyrights, trademarks, trade names, service marks, designs, know-how, processes, trade secrets, inventions, and other proprietary data" (whether or not registered). *Id.* at Section 2.01(i), p. 6. A list of certain **registered** trademarks associated with the Nice Specialty Bearings business is located on Schedule 3.18(a) of the 1997 Agreement. *Id.* at Schedule 3.18(a). Clearly, the SERIES product designations are not contained on that Schedule. But that omission is of no moment here, and any argument to the contrary is the proverbial red herring. That is, RBC does not dispute that the SERIES product designations were not registered trademarks in 1997. Nor does RBC have reason to. That the SERIES product designations were not registered trademarks in 1997 explains why RBC seeks to register them today, albeit before the United States Patent and Trademark Office. As RBC has made clear, it does not seek to vindicate its trademark rights in the SERIES product designations (or individual bearing product designations) before the instant panel.

Instead, this arbitration involves SKF's breach of the 1997 Agreement, including the representations, warranties and covenants, and further assurances it made to RBC with respect to the Transferred Assets. As described in the 1997 Agreement, SKF expressly represented to RBC that it had the "right to sell, assign, transfer and convey, and upon consummation of the transactions contemplated by the Agreement, will have sold, assigned transferred and conveyed, to Buyer *all of the Transferred Assets* free and clear of all liens, except for Permitted Liens". *See* 1997 Agreement at Section 3.09, p. 14. Because all Nice product designations were listed as a Transferred Asset in Section 2.01(n) of the 1997 Agreement, SKF's representation that it owned and that it had the right to transfer the Nice product designations applied with equal force to this and all assets made part of the 1997 Agreement and related Bill of Sale.

Indeed, it should come as no surprise that in 1997 SKF represented to RBC that it had the affirmative right to transfer the Nice product designations. For nearly forty years, SKF had promoted NICE bearings in its catalogues according to the Nice product designations. As a result, their transfer to RBC was a critical deal-point. As Mr. Michael Gostomski, RBC's lead negotiator and signatory to the 1997 Agreement, explained:

> During the foregoing transaction, there were extensive discussions concerning such product designations, including, without limitation, the SERIES designations contained in SKF's catalogue ... [t]hese discussions involved the importance of such product and SERIES designations and their associated fame and goodwill with Nice Business products and whether SKF would retain ownership of such product and SERIES designations or RBC would acquire ownership of such product and SERIES designations as part of the negotiated transaction.

See Affidavit of M. Gostomski, dated April 10, 2009, ¶ 5 (Exhibit H). Accordingly, the Nice product designations were expressly identified as a Transferred Asset listed in Section 2.01(n) of the 1997 Agreement. SKF even went so far as to affirmatively represent that it had the right to transfer the product designations as *"an inducement to Buyer [RBC] to enter into this Agreement."* *See id.*, Article III Introduction, p. 11; Section 3.09, p. 14 (emphasis added). As a further inducement to securing the $6.8 million purchase price from RBC, SKF also contractually agreed that its representation of ownership and right to transfer would survive without expiration. *See id.* at Section 9.02(a)(iv), p. 40 ("Notwithstanding Section 9.02(a)(i), the representations and warranties of Seller set forth in Section ... 3.09 shall survive without expiration").

On April 18, 2007, however, SKF took the position that it never sold the Nice product designations to RBC, and specifically the SERIES product designations. For instance, in trademark opposition proceedings that SKF brought against RBC, SKF claimed that it never sold "the SERIES Designations [to RBC because they] are merely descriptive and should remain available for others in the bearing industry to freely use". *See* SKF Motion For Summary Disposition at 3. SKF disavowed any ownership in the SERIES product designations and "submitted to the T.T.A.B. declarations from SKF employee Scott Anderson and former SKF General Counsel Allen Belenson which explain why the Series Designations are not entitled to trademark protection." *See* SKF Motion For Summary Disposition at 3; *see also* S. Anderson and A. Belenson Declarations (Exhibits I and J). And, as recently as April 30, 2009, SKF provided the same or similar affidavit from Mr. Belenson in support of the Peer Bearing Company's motion for summary judgment in trademark infringement judicial proceedings brought by RBC against Peer, *RBC Bearings Inc. v. Peer Bearing Co.*, No. 3:06-CV-1380-VLB (D. Conn.) (Exhibit K).

Laying aside its representation that it had the right to transfer the Nice product designations, SKF also covenanted to RBC that it would act reasonably and cooperatively in furtherance of the transactions contemplated by the 1997 Agreement. *See id.* at Section 7.01, Covenants of All Parties, pp. 28-29 ("Further Assurances: ... each party will use all reasonable efforts to take, or cause to be taken, all actions and to do, cause to be done, all things necessary or desirable under Applicable Law to consummate the transactions contemplated by this Agreement."); *see also id.* Section 7.02, p. 29 ("[t]he parties hereto shall cooperate with one another ... in connection with the transactions contemplated by this Agreement). SKF's covenants of reasonableness and cooperation also survive "without expiration". *See id.* at Section 9.02(b) ("The covenants contained in this Agreement shall survive without expiration unless otherwise expressly provided in such covenant.").

Similarly, in the Bill of Sale, SKF further agreed from time to time after February 27, 1997 upon request by RBC, without additional consideration, to deliver such further instruments of transfer and take such other actions as RBC may reasonably request in order to convey more effectively any of the Assets transferred to RBC and irrevocably appointed RBC as SKF's attorney in fact in that connection. *See* Bill of Sale, (Exhibit L).

Failing any of its express representation or covenants in the 1997 Agreement and Bill of Sale, SKF made implied promises and agreements not to do anything that would destroy or prevent RBC from receiving the benefits of the 1997 Agreement. These implied promises and unwritten agreements are recognized in all contracts, as a matter of law, that in "the absence of an express provision, the law will imply an agreement by the parties to a contract to do and perform those things that according to reason and justice they should do in order to carry out the purpose for which the contract was made and to refrain from doing anything that would destroy or injure the other party's right to receive the fruits of the contract." *See Diamon v. Penn Mut. Fire Ins. Co.*, 247 Pa. Super. 534, 550 (1977).

Finally, SKF recently acquired the Peer Bearing Company in 2008. Peer is now a wholly-owned subsidiary of SKF and competitor of RBC selling the Nice product line. *See* SKF Answering Statement at 16. Peer sells ball bearings under the same monikers of the "1600 SERIES", "7500 SERIES" and "7600 SERIES" and individual part number designations contained within such SERIES product designations. *See generally* Defendant [Peer's] Local Rule 56(A) Statement, filed April 30, 2009 (Exhibit M). Peer continues to do so despite becoming a wholly-owned subsidiary of SKF, and despite the fact that SKF transferred these same product designations to RBC in 1997, including the 1600 SERIES, 7500 SERIES and 7600 SERIES and individual part number designations contained within such SERIES. At the same time, SKF is reaping the profits from Peer's sales given its position as Peer's parent company. Peer's use, as importantly, illuminates an undisclosed restriction on SKF's original transfer of the Nice product designations to RBC, a restriction that was never disclosed in the 1997 Agreement or agreed to by RBC.

Significantly, by not stopping Peer from selling its parts under the 1600 SERIES, 7500 SERIES and 7600 SERIES and related individual part number designations, SKF has effectively taken back the very assets it transferred to RBC under the 1997 Agreement and resumed selling them. As an extra benefit, SKF kept the millions it received as a purchase price from RBC. As a result, SKF has also been in breach of the 1997 Agreement since it bought Peer in 2008.

Despite the foregoing, SKF argues that it has not violated the representations, covenants and further assurances it made to RBC as part of the $6.8 million 1997 Agreement and that summary disposition in its favor is proper. However, as is discussed more fully below, RBC has not waived its right to arbitrate the 1997 Agreement because it is an entirely different contract, with distinct legal and factual issues than the matter referenced by SKF; the judicial privilege is inapplicable to SKF's willful misconduct of interfering with RBC's use of the assets it acquired from SKF, and SKF's related breaches of the 1997 Agreement; none of RBC's claims are stale; and indemnification is proper.

In addition, RBC sets forth below the reasons why it, not SKF, is entitled to summary disposition. That is, SKF has breached the representation of ownership and right to transfer it made to RBC regarding the Nice product designations and should be enjoined from continuing to oppose RBC's trademark applications, and related trademark infringement suit, whereby SKF claims that it never sold the SERIES product designations to RBC. SKF's collective conduct of attempting to prevent, at every turn, RBC's trademark registrations in the SERIES product designations cannot be said as conduct that is reasonable or cooperative in accomplishing a transfer of ownership of the Nice product designations, including the SERIES product designations. Nor can SKF's conduct be said as refraining "from doing anything that would destroy or injure the other party's right to receive the fruits of the contract." *Diamon*, 247 Pa. Super. at 550. For this reason, RBC is entitled to relief. Furthermore, SKF's acquisition of Peer and SKF allowing Peer to use the assets that SKF transferred to RBC in 1997, is an additional breach of the 1997 Agreement. Each of SKF's and RBC's arguments for summary disposition are in turn.

III. Argument

A. SKF's argument that RBC waived its right to arbitrate the 1997 Agreement is wrong.

SKF, in moving for summary disposition against RBC's demand for arbitration, asserts that because RBC alleges trademark infringement against SKF in the matter of *RBC NICE*

Bearings, Inc. v. SKF USA, Inc., No. 3:06-cv-01880-JCH (D. Conn. 2006) ("the District of Connecticut Litigation"), RBC waived its right to arbitrate 1997 Agreement. *See* SKF Motion for Summary Disposition at 1, 7-9. In support, SKF claims that the District of Connecticut Litigation contains the "very same theory" of liability and "very same issue" as in Count IX. *See id.* SKF also suggests that it would be prejudiced in the event it had to proceed with its defenses of Count IX and RBC's demand as a whole, given the purported similarities with the District of Connecticut Litigation. SKF ignores critical facts.

SKF manifestly disregards that the District of Connecticut Litigation concerns an entirely different contract, the 2000 Sales and Supply Agreement ("the 2000 Agreement"). The 2000 Agreement was an exclusive distributorship agreement entered into between RBC and SKF. It has nothing to do with the assets that SKF transferred to RBC under the 1997 Agreement, or SKF's later acquisition of the Peer company and SKF subsequently allowing Peer to use the same assets SKF transferred to RBC. *See generally* 2000 Sales and Supply Agreement (Exhibit N). Nor does the 2000 Agreement even contain an arbitration clause. *Id.* Accordingly, RBC could not force arbitration over the 2000 Agreement even if it wanted to, let alone waive arbitration under the unrelated 1997 Agreement.

In addition, SKF's distributorship under the 2000 Agreement came to an end in June 2006 when RBC terminated it due to SKF's failure to purchase the contractually required minimum amount of NICE bearings from RBC. SKF then continued to market and sell NICE bearings without RBC's permission, something that it did long before it acquired Peer. RBC sought to enjoin SKF's continued sales and marketing efforts, and, after a hearing, SKF was preliminary enjoined from holding itself out as the exclusive distributor of NICE bearings and marketing itself with RBC's intellectual property. *See RBC NICE Bearings, Inc. v. SKF USA,* *Inc.*, No. 3:06-cv-01880 (JCH) (D. Conn. 2006) (entering a preliminary injunction against SKF for trademark infringement, based upon SKF's continued sales and marketing of NICE parts after RBC terminated the 2000 Agreement) (ruling attached as Exhibit O). Accordingly, this panel need look no farther than RBC's complaint in the Federal Court Litigation (cited in SKF's Motion For Summary Disposition) and the resulting preliminary injunction, issued by that court, to see the distinct legal and factual issues raised by SKF's improper conduct under the 2000 Agreement, as compared to SKF's improper conduct under the 1997 Agreement.[1]

SKF also disregards well-established federal policy favoring contractual arbitration of private disputes. That is, "[a]ny examination of whether the right to compel arbitration has been waived must be conducted in light of the strong federal policy favoring arbitration for dispute resolution." *See Rush v. Oppenheimer & Co.* 779 F.2d 885, 887 (2d. Cir. 1985) (citing *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 24-25 (1983) *accord Zimmer v. CooperNeff Advisors, Inc.*, 523 F.3d 224, 232–34 (3d Cir. 2008); *Suter v. Munich Reinsurance Co.*, 223 F.3d 150, 158 n.3 (3d Cir. 2000); *Keystone Tech. Group, Inc. v. Kerr Group, Inc.*, 824 A.2d 1223, 1226 (Pa. Super. 2003); *Kwalick v. Bosacco*, 478 A.2d 50, 52 (Pa. Super. 1984). Only where there is substantial prejudice to the opposing party can waiver be inferred; prejudice is the *sine qua non* of waiver. *Id.* at 887-88; *Zimmer v. CooperNeff Advisors, Inc.*, 523 F.3d 224, 232–34 (3d Cir. 2008) (reversing a finding of waiver where the trial court did not make any

[1] It is no coincidence that SKF began to oppose RBC's trademark registrations only after RBC sued SKF for breach of the 2000 Agreement. SKF also fails to mention two other cases being litigated under the 2000 Agreement, both of which pre-date SKF's opposition to RBC's trademarks. In 2006, SKF sought its own preliminary injunction against RBC in the Pennsylvania court of common pleas seeking specific performance under the 2000 Agreement, and lost. *See SKF USA, Inc. v. RBC, Inc.*, No. 0616491 (Pa. Comm. Plea. 2006). In 2006, RBC filed suit in Connecticut State court and successfully obtained a pre-judgment remedy against SKF, where that court held probable cause existed that SKF breached the 2000 Agreement. *RBC, Inc. v. SKF USA, Inc.*, NO. X03-CV-06-5009720-S (Conn. Super. Ct. 2006) (ruling attached as Exhibit P). Both suits are pending.

findings as to prejudice). Moreover, "[a]ny doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration, whether the problem at hand is the construction of the contract language itself or an allegation of waiver." *Suter v. Munich Reinsurance Co.*, 223 F.3d 150, 158 n.3 (3d Cir. 2000) (citation omitted).

In this case, there can be no prejudice to SKF based upon RBC's demand that it arbitrate the 1997 Agreement. First, RBC's claims under the 1997 Agreement involve factual and legal issues that are different and separate from those raised by the 2000 Agreement and the related District of Connecticut Litigation. Second, SKF is solely responsible for its recent business decision in 2008 to acquire Peer (which it did *after* RBC brought suit in the District of Connecticut Litigation), and then allowing Peer to continue to sell bearings using the same Nice product designations that SKF sold to RBC. Finally, SKF does not – because it cannot – provide the panel with a scintilla of evidence that the arguments RBC or SKF has made in the District of Connecticut Litigation bear any resemblance to the instant matter, or provide the panel with any discovery examples showing an overlap between the two. Instead, SKF oversimplifies in an effort to avoid the reality that it breached the 1997 Agreement. Accordingly, because nothing in the District of Connecticut Litigation (involving an entirely different contract that does not contain an arbitration clause) comes even close to reaching the issues presented by SKF's breach of the 1997 Agreement, SKF cannot demonstrate any prejudice or an intentional relinquishment of RBC's contractual right to arbitrate the 1997 Agreement.

B. SKF's argument that a judicial privilege applies to Counts II, III, IV, V, and VII is wrong.

SKF advances the proposition that the judicial privilege protects a company from liability for its conduct in undertaking and prosecuting judicial and quasi-judicial actions. This argument, however, has been squarely rejected. *See Silver v. Mendel*, 894 F.2d 598, 604 (3d Cir. 1990)

("Pennsylvania would not have the Dragonetti Act if Pennsylvania's judicial privilege protected the filing of an action without probable cause and primarily for a purpose other than to secure relief."). In *Silver*, the Third Circuit rejected the defendants' invocation of judicial privilege and found that the wrongful filing of an action could constitute the torts of interference with existing contractual relations, interference with prospective contractual relations, and/or intentional infliction of severe emotional distress. *Id.* at 601–07. SKF is not immune from liability for its actions because ". . . conduct is clearly susceptible to being punishable." *General Refractories Co. v. Fireman's Fund Ins. Co.*, 337 F.3d 297, 312 (3d Cir. 2003) (applying Pennsylvania law).

Similarly, the prosecution of an improper lawsuit or other legal proceeding has been recognized as a beach of contract. *See Kohl v. PNC Bank*, 912 A.2d 237 (Pa. 2006). In the *Kohl* matter, a landlord brought a suit against the tenant bank asserting various breaches of the lease. The tenant bank counterclaimed, arguing that the ongoing litigation and *lis pendens* impeded its rights under the lease and constituted a breach of the implied covenant of quiet enjoyment. *Id.* at 239-42. The trial court held that the landlord's litigious interference with the tenant's rights in the property constituted a breach of the lease. *Id.* at 242-43. The Superior Court agreed. *Id.* at 238-39. The Pennsylvania Supreme Court affirmed. In doing so, the Supreme Court adopted the test formulated by the Superior Court and held that a suit which substantially impairs a tenant's interest in the property, brought in bad faith, maliciously, or otherwise without probable cause and primarily for a purpose unrelated to seeking legal redress, constitutes a breach of the implied covenant of quiet enjoyment. *Id.* at 239.

Similar bad faith conduct is at issue in this arbitration. SKF, by pursuing various challenges to RBC's efforts to establish registered trademarks in the SERIES product designations, is interfering with RBC's right to enjoy the fruits of 1997 Agreement. Such interference constitutes bad faith and a breach of the 1997 Agreement, given SKF's affirmative representation that it owned and could transfer the Nice product designations (including the SERIES product designations), its covenants to cooperate with RBC in consummating the transactions contemplated by the 1997 Agreement and its implied covenant not to do anything that would destroy or injure RBC's right to receive the fruits of the contract *See Kohl,* 912 A.2d 237-43; *Silver*, 894 F.2d at 604; *General Refractories*, 337 F.3d at 312; *Murphy v. Duquesne University Of The Holy Ghost*, 777 A.2d 418, 434 n.11 (Pa. 2001) ("In the absence of an express provision, the law will imply an agreement by the parties to a contract to do and perform those things that according to reason and justice they should do in order to carry out the purpose for which the contract was made and to refrain from doing anything that would destroy or injure the other party's right to receive the fruits of the contract." (citations omitted)).

C. SKF's argument that Count VI is stale is wrong.

SKF moves for summary disposition against Count VI, asserting that this count is untimely according to a sunset provision located in the 1997 Agreement, the statute of limitations and equitable doctrine of laches. However, because RBC acted within its contractual and legal rights under the 1997 Agreement, each of SKF's "staleness" arguments are misplaced.

By Section 3.09 of the 1997 Agreement, SKF represented that it had the right to convey the Transferred Assets to RBC, including the product designations and goodwill amassed by the same. *This* representation survived without expiration. *See* 1997 Agreement at Section 9.02(a)(iv), p. 40 ("Notwithstanding Section 9.02(a)(i), the representations and warranties of Seller set forth in Section ... 3.09 shall survive without expiration") (emphasis added).[2]

[2] In its briefing, SKF flat out ignores the language of Section 9.02(a)(iv), and, instead, only cites to the more generalized Section 9.02(a)(i) for the proposition that Count VI is "barred by the Agreement itself". *See* SKF Motion For Summary Disposition at 11.

Similarly, SKF's covenants of reasonableness and cooperation located in Sections 7.01 and 7.02 of the 1997 Agreement also survived without expiration. *See id.* at Section 9.02(b) ("The covenants contained in this Agreement shall survive without expiration unless otherwise expressly provided in such covenant."). Accordingly, because RBC sought from SKF an assignment of the common law rights that SKF had amassed in the product designations via their corresponding goodwill, and because RBC merely sought to exploit the assets it purchased from SKF, the 1997 Agreement does not and cannot provide SKF with a staleness defense. *See* SKF Motion for Summary Disposition at 11.[3]

The statute of limitations, in addition, has not run on Count VI. SKF makes the unfounded argument that RBC's cause of action for breach of contract accrued at the time of the formation rather than at the time when SKF took actions adverse to the contract. In an action for breach of contract, the statute begins to run on the date of the breach. *McGaffic v. City of New Castle*, 973 A.2d 1047, 1052 (Pa. Commw. 2009). A breach occurs when a party refuses to honor or perform a contractual obligation. *See id.* at 1053; 2 Standard Pennsylvania Practice 2d § 13:46 (Westlaw database updated June 2009) ("[T]he statute of limitations begins to run from the omission to perform the duty."). Here, there are two plausible events that triggered the statute: when SKF filed trademark opposition proceedings in the Trademark Trial and Appeal Board on April 18, 2007, or when SKF later refused to acknowledge the transfer of common law trademarks for the SERIES product designations, as requested by RBC on August 7, 2009 (*See* RBC Demand for Arbitration at 14-15 and related exhibits). Neither occurred more than four years before RBC filed its Demand for Arbitration and Statement of Claims on September 14, 2009, and, as a result, the statute has not run on Count VI.

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[3] The Bill of Sale further supports RBC's claim.

The doctrine of laches also provides no shelter to SKF for its wrongful actions. After the parties executed the 1997 Agreement, no additional actions were required by RBC or SKF to effectuate a transfer of the SERIES product designations or the common law trademark rights associated with the same. Simply put, RBC already acquired these rights by the very act of consummating the 1997 Agreement. It is only because SKF began opposing RBC's trademark applications on April 18, 2007, that RBC, out of an abundance of caution, requested the common law assignment. Accordingly, there was no reason at the execution of the Agreement to take this action. Nor was there any reason to contemplate that SKF would later embark upon a systematic campaign of interference with RBC's efforts to use and exploit the very assets it acquired under the $6.8 million 1997 Agreement. Finally, given SKF's willful misconduct in opposing these efforts by RBC, SKF cannot now come to a court of equity with its unclean hands. *See Mudd v. Nosker Lumber, Inc.*, 443 Pa. Super. 483, 491 (1995) (a party that comes to a court of equity "must come before the court with clean hands").

D. RBC is entitled to summary disposition on Counts III, IV, VII, and IX because SKF is in breach of the 1997 Agreement by allowing Peer to continue using the same assets it sold to RBC.

SKF should be enjoined from allowing Peer to continue selling bearings using the Nice product designations that SKF sold to RBC. *See* Demand for Arbitration and Statement of Claims Counts III, IV, VII, and IX.

SKF breached the 1997 Agreement by acquiring Peer and using Peer as a vehicle to take back what it sold to RBC in the 1997 Agreement. It is undisputed that SKF has allowed, supported and participated in Peer's use of the Nice product designations, including the SERIES product designations and individual bearing designations in various judicial and administrative proceedings, as well as in the open market. As a result, SKF has breached the 1997 Agreement, breached the covenant of good faith and fair dealing (and agreement not to destroy RBC's ability to enjoy the fruits of the 1997 Agreement), and converted RBC assets. *See* Demand for Arbitration and Statement of Claims Counts III, IV, VII, and IX. Notably, in its motion for summary disposition, SKF does not dispute that it participated in Peer's wrongful conduct.

SKF can be liable for participating in and encouraging Peer's use of the Nice product designations. It is well established that an entity controlling a corporation can be held liable for the corporation's wrongful acts under the "participation theory," which imposes liability on the controlling entity as an actor rather than as an owner. *See Wicks v. Milzoco Builders, Inc.*, 470 A.2d 86, 89-90 (Pa. 1983); *Donsco, Inc. v. Casper Corp.*, 587 F.2d 602, 606 (3d Cir. 1978); *Mill Run Assocs. v. Locke Prop. Co., Inc.*, 282 F. Supp. 2d 278, 287-88 (E.D. Pa. 2003). Such liability is not predicated on a finding that the corporation is a sham or a mere alter ego of the controlling entity. *Id.*

It is clear that SKF participated in the actions of Peer which constitute breaches of the 1997 Agreement, the covenant of good faith and fair dealing, and, as a corollary, SKF's affirmative agreement to cooperate in the transfer of assets, and not interfere with RBC's right to exploit their use. *See Murphy v. Duquesne Univ. of The Holy Ghost*, 777 A.2d 418, 434 n.11 (Pa. 2001) ("In the absence of an express provision, the law will imply an agreement by the parties to a contract to do and perform those things that according to reason and justice they should do in order to carry out the purpose for which the contract was made and to refrain from doing anything that would destroy or injure the other party's right to receive the fruits of the contract." (citations omitted)). SKF's officers executed affidavits to support Peer's and SKF's own trademark opposition proceedings, and Peer continues to use RBC assets. SKF can therefore be held liable for Peer's conduct.

SKF also participated in the conversion of the Nice product designations. "Conversion is an act by which another deprives one of his right of property in, or possession of, or use of a chattel, without lawful justification and without the owner's consent." *Fort Washington Resources, Inc. v. Tannen*, 846 F. Supp. 354, 361 (E.D. Pa. 1994). Conversion can be committed by "unreasonably withholding possession of the chattel from one who has the right to it, [or] misusing or seriously damaging the chattel in defiance of the owner's rights." *Id.* "[I]ntellectual property, such as architectural plans, carries with it a property right, which may be violated by conversion." *Environ Prods., Inc. v. Furon Co., Inc.*, No. Civ. A. 96-2451, 1998 WL 398074, *5 (E.D. Pa. Jun. 26, 1998) (finding issue of fact with regards to whether patent rights were converted) (Exhibit Q); *see also Keystone Truck Equip. Co. v. Russell Chevrolet Motors, Inc.*, No. CIV. A. 94-CV-4620, 1996 WL 283677, *2 (E.D. Pa. May 29, 1996) (finding issue of fact with regards to whether layout drawings and weight studies were converted) (Exhibit R).

In the present case, SKF and Peer (with the participation and support of SKF) are attempting to withhold from RBC the rights in the Nice product designations that SKF sold to RBC pursuant to the 1997 Agreement, and by attempting to damage or destroy RBC's rights. There is no question that SKF participated in and supported Peer's wrongful acts. Additionally, SKF acquired Peer and supported Peer's continued wrongful use of the Nice product designations. Peer's corporate form was therefore used to perpetrate a wrong and injustice, requiring the piercing of Peer's corporate form to hold SKF liable. *See Sams v. Redevelopment Auth. of City of New Kensington*, 244 A.2d 779, 781 (Pa. 1968) ("The corporate entity or personality will be disregarded only when the entity is used to defeat public convenience, justify wrong, protect fraud or defend crime."). As a result, SKF should be enjoined from allowing Peer's continued use of the assets SKF sold to RBC.

E. RBC is entitled to summary disposition on Counts II, III, IV, V, VII and IX.

For the same reasons set forth in Sections B and D, *supra*, RBC is entitled to summary disposition because SKF's actions, which are not disputed, violate the terms of the 1997 Agreement, and interfere with RBC's rights in the Nice product designations. It is not disputed that the 1997 Agreement and related Bill of Sale governs the transfer of assets from SKF to NICE. The unambiguous language of the 1997 Agreement specifies that SKF transferred "all product designations used in Seller's catalogue with respect to the Products" and the goodwill associated therewith, and represented that it the ability to transfer these assets free and clear of any permitted Lien. *See* 1997 Agreement at Section 2.01, 2.01(n); Section 2.01(m). It is undisputed that SKF is interfering with RBC's rights to the Nice product designations and the fruits of the 1997 Agreement by prosecuting a trademark opposition proceedings and participating in and supporting Peer's trademark opposition proceedings, along with Peer's continued use the Nice product designations in the open market. Because of these undisputed facts, summary disposition in favor of RBC is proper.

The contrary position asserted by SKF in its motion for summary disposition does not give rise to an issue of material fact because construction of a written agreement is a legal issue, not a factual issue. This legal issue must be resolved in favor of RBC because the Nice product designations were clearly among the assets that were transferred to NICE. This Panel should therefore grant RBC the relief it seeks as a matter of law in a summary disposition.

F. RBC is entitled to summary disposition on Count VI.

For the same reason set forth in Section C, *supra*, and because it is uncontested that SKF refused to transfer the common law rights it had in the SERIES Product Designations, as requested by RBC, SKF has violated Sections 3.09, 7.01 and 7.02 of the 1997 Agreement and/or its implied covenants to "do and perform those things that according to reason and justice they should do in order to carry out the purpose for which the contract was made and to refrain from doing anything that would destroy or injure the other party's right to receive the fruits of the contract." *See Diamon*, 247 Pa. Super. at 550. SKF has also violated the covenants it made in the Bill of Sale. As a result, SKF should be ordered by this panel to effectuate the assignment.

G. RBC's indemnification claim, Count I, is properly brought under the 1997 Agreement.

RBC is entitled to summary disposition on Count I because, Peer's use of the Nice product designations constitutes an impermissible Lien on assets transferred to RBC, and, as such, qualifies for indemnification under 9.01(a) of the 1997 Agreement. *See* 1997 Agreement, p. 39 ("seller shall be liable ... for all claims [by RBC] regardless of amount arising out of ... any Lien that does not constitute a Permitted Lien").

In the Agreement, the term "Lien" means "with respect to any asset, any ... restriction , encumbrance ... of any kind in respect to such asset." The term "Permitted Liens" includes, among other things those liens listed on Schedule 1.01. Because Peer's undisclosed third party use of the Nice produce designations not a Permitted Lien, RBC is entitled to indemnification for its defense of Peer's trademark opposition proceedings, as described in Count I of RBC's demand for arbitration. *See* 1997 Agreement, Schedule 1.01 (b) (Exhibit S) (describing Permitted Liens as none). SKF did not disclose, that is, that Peer has been using the Nice product designations at least since the 1960s and continues to use the Nice product designations to date. *See* Defendant [Peer's] Local Rule 56(A) Statement, filed April 30, 2009 at p. 1-3 (Exhibit M). Accordingly, Count I is not subject to dismissal.[4]

IV. CONCLUSION

For the foregoing reasons, SKF's Motion for Summary Disposition must be denied. At the same time, RBC is entitled to summary disposition on the grounds set forth herein, and, accordingly, is entitled to the relief it seeks as set forth in its Demand for Arbitration.

CLAIMANTS,
RBC NICE BEARINGS, INC.,
ROLLER BEARING COMPANY OF AMERICA, INC. and ROLLER BEARING COMPANY OF AMERICA, INC. d/b/a NICE BALL BEARINGS, INC.

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[4] Apart from Peer's impressible Lien on RBC assets, SKF, in addition, disregards that any costs (not yet knowable), which are attributable to RBC's defense of the Peer Federal Case may also be recovered pursuant to indemnification.

CERTIFICATE OF SERVICE

This is to certify that on this 10th day of November 10, 2009, a copy of the foregoing was emailed and sent by U.S. First Class mail, postage prepaid, to the following counsel:

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