

THIS DISPOSITION IS NOT
CITABLE AS PRECEDENT OF THE TTAB JULY 7, 99

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Truong Giang Corp. a/k/a TG Corp.
v.
Sunny Wong d/b/a PC Teas Company

Cancellation No. 22,241

I. Morley Drucker and Muriel C. Haritchabalet of Fulwider Patton
Lee & Utecht, LLP for Truong Giang Corp. a/k/a TG Corp.

Roy S. Gordet, Esq. for Sunny Wong d/b/a PC Teas Company.

Before Hohein, Hairston and Chapman, Administrative Trademark
Judges.

Opinion by Hohein, Administrative Trademark Judge:

Truong Giang Corp. a/k/a TG Corp. has petitioned to
cancel the registration owned by Sunny Wong d/b/a PC Teas Company
for the mark "DIETERS' HERBAL DRINK" and design (which is often
referred to by the parties as just the "Three Daughter(s)" or
"Three Ballerina" mark), as shown below,

Cancellation No. 22,241

for "tea".¹ As grounds for cancellation, petitioner alleges preliminarily that, on September 8, 1991, the parties entered into an agreement in which petitioner authorized respondent to manufacture certain diet tea products for distribution and sale by petitioner; that in connection therewith, petitioner "approved a certain Design of Three Dancing Ballerinas for use as Petitioner's trademark" for "packaging of the diet tea product"; that on June 3, 1992, the parties "jointly announced that the diet tea product, San Chien Chin Slim Tea, Three Daughter or Three Ballerina Tea (its legal Chinese/English description) and trademark belonged entirely to the Petitioner"; that, "[n]otwithstanding the foregoing facts and without any authorization from the Petitioner," respondent on August 20, 1992 "applied for ... registration of the [subject] trademark, Dieter's [sic] Herbal Drink Natural Green Leaf Brand for Women and Men, and a Design of Three Dancing Ballerinas for use in connection with tea," claiming September 30, 1991 as his dates of first use of such mark; and that, on June 15, 1993, such application matured into the registration which is the subject of this proceeding and issued to respondent.

Petitioner further alleges that, on December 11, 1992, it "filed application Serial No. 74/339,152 for the trademark Design of Three Dancing Ballerinas for use in connection with

¹ Reg. No. 1,776,684, issued on June 15, 1993 from an application filed on August 20, 1992, which sets forth dates of first use of September 30, 1991; affidavit §8 accepted. The words "NATURAL GREEN LEAF BRAND FOR WOMEN & MEN" and "DIETERS' DRINK HERBAL" are disclaimed and the Chinese characters are translated as "THREE BALLET DANCERS".

dieter's [sic] herbal teas"; that its application "has been rejected on the grounds that it is confusingly similar to the mark shown" in the subject registration; and that respondent obtained such registration fraudulently in that: he falsely stated in the underlying application that he was the owner of the subject mark when such mark in fact was at all times owned solely by petitioner; the false statement was made with the intent to induce the U.S. Patent and Trademark Office ("PTO") to grant a registration to respondent; and the PTO, as a result of reasonable reliance upon such statement, granted the subject registration. In addition, petitioner alleges that, "in view of the fact that Registrant was not the true owner of the trademark on the application filing date," he "did not have the right to apply for the registration of the same and that Registration No. 1,776,684 should be viewed as void *ab initio*."

Respondent, in his answer, admits that the parties entered into an agreement on September 8, 1991, but denies the remaining salient allegations of the petition to cancel. Respondent also alleges that he is the true owner of the subject mark and that, inasmuch as petitioner has never had any rights therein, petitioner is without standing to maintain this proceeding even though petitioner "was, for a limited period, a mere distributor of the goods, manufactured by Registrant, bearing the Trademark."²

² While respondent, in his answer, also asserts as affirmative defenses that, "[a]ssuming arguendo that Petitioner acquired any alleged rights in the Trademark," petitioner is barred by the doctrines of waiver, laches, estoppel, acquiescence and unclean hands, such equitable defenses not only have not been properly pleaded, in that the facts

The record consists of the pleadings; the file of the involved registration; and, as petitioner's case-in-chief, the February 28, 1996 deposition, with exhibits, of Ly Coi (a/k/a Hung Tam Ly), who is the owner and president of petitioner, a tea wholesaler; the deposition, with exhibits, of Ken Wong, who is the owner of Asia Company, an importer and exporter of ginseng tea;³ and a notice of reliance on a registration issued to Asia Company.⁴ Respondent, a tea manufacturer and wholesaler, has furnished as part of his case-in-chief the April 30, 1996 through May 1, 1996 deposition, with exhibits, of himself; the April 24, 1996 deposition, with exhibits, of Ly Coi; and the depositions, with exhibits, of Daniel Wu, who is an attorney with whom Ly Coi

constituting each defense have not been alleged, but in any event the defenses, with the exception of unclean hands, were neither tried nor raised in the briefs. Furthermore, equitable defenses, including unclean hands, are not available against a claim of fraud, since it is in the public interest to prohibit registrations procured or maintained by fraud. *See, e.g.,* Treadwell's Drifters Inc. v. Marshak, 18 USPQ2d 1318, 1320 (TTAB 1990), *recon. denied*, 18 USPQ2d 1322 (TTAB 1990); and Bausch & Lomb Inc. v. Leupold & Stevens Inc., 1 USPQ2d 1497, 1499 (TTAB 1986). Similarly, inasmuch as such defenses are likewise unavailable against a claim of abandonment, since it is in the public interest to remove registrations of abandoned marks from the register; *see e.g.,* Treadwell's Drifters Inc. v. Marshak, *supra* at 1320 (TTAB 1990), *recon. denied*, 18 USPQ2d 1322 (TTAB 1990); and TBC Corp. v. Grand Prix Ltd., 12 USPQ2d 1311, 1313 (TTAB 1989); it follows that equitable defenses, including unclean hands, should not be available against a claim that a registrant's lack of ownership of the subject mark renders the registration void *ab initio*, since such claim, like abandonment, involves an absence of proprietary rights in a mark. No further consideration, therefore, will be given to respondent's putative affirmative defenses.

³ Nothing in the record indicates that Ken Wong is related in any way to either respondent or another witness, Teresa Wong.

⁴ The registration, which issued on December 14, 1993 for the mark "KINGINSENG" for "tea," is stated in the notice of reliance to be relevant "since it shows ownership of a registration for tea by a company whose principal, Mr. Ken Wong, testified is not the manufacturer of the tea product, but rather only is the importer, distributor and seller of the tea product in the USA."

formerly consulted on behalf of petitioner,⁵ and Teresa Wong, who is a certified Cantonese interpreter.⁶ By a stipulated motion, respondent has also submitted as trial testimony the discovery deposition, with exhibits, which he took of Thomas Shu, who is the president of ABC Tea House, a tea importer and packager. Respondent, in addition, has filed notices of reliance on (a) selected portions of the February 28, 1995 through March 2, 1995 discovery deposition, with exhibits, of Ly Coi; (b) petitioner's responses to certain of respondent's interrogatories; (c) a declaration of Ly Coi submitted in support of petitioner's motion for summary judgment;⁷ and (d) copies of two articles from general circulation publications.⁸ Petitioner, as rebuttal, has furnished the June 20, 1996 deposition, with an exhibit, of Ly Coi; the deposition, with an exhibit, of Anna Silva, who is an attorney who assisted in the prosecution of the application which matured into respondent's subject registration; and the depositions, with exhibits, of Lynn Perry, who is the attorney

⁵ Mr. Wu's testimony was pursuant to a written waiver of the attorney-client privilege by Ly Coi on behalf of himself and petitioner with respect to the matters testified to in this proceeding.

⁶ The record reveals that Ms. Wong is not related to respondent in any manner and, as noted previously, there is no indication that she is related to Ken Wong.

⁷ Such declaration, it should be pointed out, is essentially of no probative value inasmuch as it is admissible only for what it shows on its face and not for the truth of the matters stated therein. See, e.g., American Speech-Language-Hearing Ass'n v. National Hearing Aid Society, 224 USPQ 798, 801 (TTAB 1984); Jetzon Tire & Rubber Corp. v. General Motors Corp., 177 USPQ 467, 468 (TTAB 1973) at n. 3; and TBMP §707.

⁸ According to respondent, such "excerpts are relevant to this proceeding because they establish the proclivity of persons to interchangeably use the words 'patent' and 'trademark'."

who principally prosecuted such application, and Patty Chu, who is a certified Cantonese interpreter. In addition, petitioner has filed notices of reliance on (a) certain additional portions of the above-noted discovery deposition, with exhibits, of Ly Coi;⁹ (b) selected portions of its July 26, 1994 discovery deposition, with exhibits, of respondent; (c) certified copies of petitioner's application to register a Three Ballerina design mark for a dieters' herbal drink and respondent's registration of its "PCT" logo for teas; and (d) copies of various U.S. Food and Drug Administration ("FDA") official records. Briefs have been filed,¹⁰ but an oral hearing was not requested.

⁹ Trademark Rule 2.120(j)(4) provides that "[i]f only a part of a discovery deposition is submitted and made of record by a party, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party." Although petitioner's notice of reliance fails to comply with the requirement of such rule that "[a] notice of reliance filed by an adverse party must be supported by a written statement explaining why the adverse party needs to rely upon each additional part listed in the adverse party's notice," we have exercised our discretion in favor of considering the additional excerpts offered by petitioner inasmuch as they serve to fill in the picture with respect to the portions made of record by respondent.

¹⁰ Petitioner, in its reply brief, raises the meritless objection that respondent's trial brief, which petitioner correctly notes was due by April 6, 1998, was not timely filed. Respondent's brief, however, is considered to have been timely filed inasmuch as it bears a properly signed certificate of mailing, pursuant to Patent Rule 1.8 and Trademark Rule 2.1, which is dated April 6, 1998 and petitioner has not submitted any evidence which suggests that the stated mailing date of the brief to the PTO is inaccurate and should thus be disregarded.

As to the several evidentiary objections asserted by respondent in its trial brief, respondent reiterates that it "objects to the introduction of the transcript and all of the accompanying exhibits of the testimony of Patty Chu dated June 20, 1996 on the grounds that the testimony and exhibits formed part of Petitioner's case in chief and this deposition was taken during the rebuttal phase" While we agree with respondent that such evidence would properly form part of petitioner's case-in-chief, we also concur with petitioner that, to the extent that the evidence serves "as rebuttal to the translations introduced by Registrant at Theresa [sic] Wong's deposition on May 1,

The issues to be decided in this proceeding are whether petitioner or respondent is the owner of the mark in dispute and, if ownership thereof lies with petitioner, whether the involved registration, which in any event would be void *ab initio* since it was not filed in the name of the owner of the subject mark, was obtained by fraud in that respondent knew, or should have known, that he was not the owner of such mark. As to the former, it is

1996," it constitutes proper rebuttal and has accordingly been considered for such limited purpose. As to respondent's further objection thereto on the ground that it "was denied the right to cross-examine translator Chu" because, "as an 'expert,' all conversations and activities of translator Chu are open to discovery," we note that, not only had the discovery period in this proceeding been closed since October 4, 1994, but in any event respondent attended the deposition and had a full and fair opportunity to cross-examine the witness with respect to any alleged bias. Moreover, as petitioner points out in reply, the translations produced by the witness and offered as exhibits were made long prior to petitioner's retaining of the witness to act as an interpreter at petitioner's depositions of Ly Coi and, therefore, could not have been "affected by conversations she may have participated in as an interpreter" for petitioner. Respondent's further objection is thus without merit.

With respect to respondent's objection to the introduction of a version of the parties' "Joint Announcement," which was identified as Exhibit 53 to the Chu deposition, "on the grounds that this version of the document with Mr. Ly's signature was not produced in response to document requests and was produced at a time after Registrant's right to make further discovery demands had expired . . .," we observe that, not only has respondent failed to substantiate the discovery requests to which such document was allegedly responsive, but more importantly respondent itself introduced the very same document as Exhibit 27 of the excerpts from its discovery deposition of Ly Coi which it made of record by a notice of reliance. Respondent's objection is consequently moot.

Finally, respondent objects to consideration of Exhibit 43 to the deposition of Lynn Perry, contending that such document "is protected by the attorney client privilege [and] that [it] was inadvertently produced by Registrant's former counsel and should have been returned pursuant to a protective order issued by the Board in this case." Suffice it to say, however, that even if respondent had substantiated its claim that the document was inadvertently produced, the attorney-client privilege would be considered to have been waived in connection with a document prepared in furtherance of a fraud on the PTO. In any event, irrespective of whether the document is regarded as forming part of the evidentiary record herein, consideration thereof makes no difference in the outcome of this case.

necessary to keep in mind certain general principles regarding the question of ownership of a mark as between a manufacturer and a distributor of the goods bearing the disputed mark.

Specifically, while the issue of which party is the owner of a mark as applied to goods made by a manufacturer for sale by a distributor is often difficult to resolve, it is the use of the mark, rather than its conception, that determines ownership.

See, e.g., Cutting Tools, Inc. v. Cushmanite Corp., 220 USPQ 1006, 1009 (TTAB 1984).

Furthermore, as the Board observed in Lutz Superdyne, Inc. v. Arthur Brown & Bro., Inc., 221 USPQ 354, 362 (TTAB 1984):

[I]t has been held that the question of ownership of a mark as between the manufacture[r] of the product to which the mark is applied and the exclusive distributor of the product is a matter of agreement between them, and that in the absence of an agreement, there is a legal presumption that the manufacturer is the owner of the mark. See: Far-Best Corporation v. Die Casting "1D" Corporation, 165 USPQ 277 (TTAB 1970), and Audioson Vertreibs-GmbH v. Kirksaeter Audiosonics, Inc., 196 USPQ 453 (TTAB 1977). . . . Further, it has also been held that a party need not be a manufacturer of goods in order to own and register a trademark. As stated by the Board in In re Expo '74, 189 USPQ 48 (1975),

There is no question but that a party need not be a manufacturer of goods to own and register a trademark. In fact, any person in the normal channels of distribution including a manufacturer, a contract purchaser who has the goods manufactured for him, and a retailer or merchant . . . can be the owner of a trademark "in commerce" if he applies or has someone in his behalf apply his own trademark to goods to which he has acquired ownership and title and sells or

merely transports such goods in commerce as his own product with the mark, as applied thereto, serving to identify the particular product as emanating from the shipper or seller in his own capacity.

See also: *Lasek & Miller Associates v. Rubin*, 201 USPQ 831 (TTAB 1978); *Amica Mutual Insurance Company v. R. H. Cosmetics Corp.*, 204 USPQ 155 (TTAB 1979); and cases cited therein.

Thus, a party may properly claim ownership of a mark when the mark is applied to the goods at the party's instruction. For instance, if a party contracts with a manufacturer to have goods produced for the party and instructs the manufacturer to place the mark on the goods, that is the equivalent of the party itself placing the mark on its own goods. See, e.g., Target Stores, Inc. v. Trupp, 158 USPQ 614, 614-15 (TTAB 1968).

To the same effect, as set forth in 2 J. McCarthy, McCarthy on Trademarks & Unfair Competition §16:46 (4th ed. 1999) (footnotes omitted), it is stated that:

It is clear that one need not actually manufacture goods in order to acquire and own a valid trademark for the goods. That is, one who only distributes goods made by another can be the "owner" of a trademark which the distributor places on the goods to identify the distributor. This type of mark is known as dealer's mark or a merchant's mark.

A plethora of decisions have ... [upheld] the validity of a dealer's mark. As the Third Circuit stated, "It is well established that a distributor may own the trademark in goods it does not manufacture." In some contexts, such a mark is known as a "private brand."

....

The Trademark [Trial and Appeal] Board has indicated that the merchant's control over manufacturing source is not a relevant element The Board has stated expansively that a merchant can be the owner of a trademark, "if he applies or has someone in his behalf apply his own trademark to goods to which he has acquired ownership and title and sells or merely transports such goods in commerce." It would seem proper that the merchant's "control" per se is not a critical inquiry.

Moreover, as indicated in §16:48 of such treatise (footnotes omitted):

(2) When a dealer buys goods from a manufacturer and applies or has someone else apply the dealer's own "merchant's mark" to the goods, the dealer, not the manufacturer, is the owner of such a trademark. If the dealer orders the manufacturer to place the mark on the product prior to delivery, then the manufacturer is acting as a "licensee" of the dealer.

"[A] key issue" in such a situation, the treatise points out, "is who was the initial owner of the mark." Id.

Turning first to the issue of ownership, since if respondent is the owner of the disputed mark, petitioner cannot prevail on either of its claims, we find from the credible evidence of record that, as of the filing date of the application which matured into respondent's registration and at all other relevant times herein, petitioner was the owner of the "DIETERS' HERBAL DRINK" and design mark (hereinafter the "Three Ballerina" mark) rather than respondent. The record, in this regard, reveals that petitioner's president, Ly Coi, whose ethnic background is Chinese, immigrated to the United States from Vietnam in 1979. Mr. Ly, as he is often referred to by the parties herein, finished his schooling in Vietnam and, while he

knows Chinese and primarily conducts business therein, he does not read or write English, although he has learned to speak at least some English.

Following his arrival in the United States, Mr. Ly worked several menial jobs before becoming, around 1982 or 1983, a sales agent in Los Angeles for Asia Company selling, inter alia, Korean ginseng tea products. While Mr. Ly still distributes such products for Asia Company, around 1986 or so he spoke to its owner, Ken Wong, about having his own brand of tea to sell. Asia Company, however, has never done such private labeling, according to Ken Wong, since it does not have the equipment necessary for packaging a private label brand.

Petitioner, which was incorporated in 1984 and is owned by Mr. Ly, sells tea in addition to such goods as facial cream and ointment. Petitioner, however, does not manufacture the tea which it has sold nor does it process or pack tea for other companies. Instead, petitioner purchases the raw materials for its brand of tea, which it sells under the "Three Ballerina" mark, and lets tea processors, unrelated to petitioner, do the packaging or processing of such materials for it. In particular, since switching processors from respondent's firm, known by such names as PC Teas Co. (and variants thereof), PCT, PCT Company and Prestige Chinese Teas Company, to ABC Tea House, Mr. Ly has personally determined the composition of petitioner's "Three Ballerina" tea, which consists principally of senna tea, and the formula has not changed. Originally, however, Mr. Ly relied upon respondent's knowledge as an herbalist to provide the formula and

procure the ingredients for such tea, which included stevia leaves (a food additive not approved by the FDA). Mr. Ly also relied upon respondent to supply tea for petitioner inasmuch as he did not know where to obtain the raw materials to make the product and petitioner lacked the machinery to do its own processing.

Mr. Ly first contacted and began doing business with respondent after seeing a newspaper ad for respondent's teas sometime in 1990 or by January 1991. After serving for at least several months as a distributor of two brands of respondent's teas, Mr. Ly told respondent around April 1991 that he would like for petitioner to have its own brand of tea to distribute exclusively. Respondent agreed to process such tea for petitioner and the parties, at a personal meeting in April 1991, discussed the need for the tea boxes to have petitioner's corporate logo appear thereon along with a post office box number, which Mr. Ly obtained, to which customers could send any letters to petitioner concerning the diet tea product.

Respondent, acting as agent for petitioner, thereafter had a graphics designer in Hong Kong, namely, Amy Lui of Co-Joyce Limited, create four different designs, which featured from one to four dancing ladies or ballerinas, for use as a mark for a dieters' herbal drink. Mr. Ly, in May 1991, was asked by respondent to select one of those designs as the trademark for the diet tea product¹¹ and, on behalf of petitioner, he chose the

¹¹ In this regard, Mr. Ly testified in his discovery deposition that: "Since I met him, then I know that Sunny Wong just did his own products, and then after ... dealing with each other about two, three

"Three Ballerina" mark because he liked it the best. Petitioner paid respondent, who also arranged (with Mr. Ly's approval) for the printing of tea boxes, bags, labels and inserts bearing the "Three Ballerina" mark which Mr. Ly had selected, \$150.00 as the fee for the design of such mark. In addition, since Mr. Ly had requested that respondent register the mark, petitioner paid respondent \$350.00 as the initial fee for registration thereof, which respondent arranged to have done through his trademark counsel, Lynn Perry, of the San Francisco law firm then known as Townsend & Townsend.

Respondent, after receiving a September 20, 1991 letter from Ms. Perry stating that she understood that petitioner was a distributor for respondent and advising that it would cost a minimum of \$1,300.00 to prepare and prosecute the application for registration, secured Mr. Ly's approval to proceed and paid, by a PC Teas Co. check dated the same date, the requested retainer of \$650.00 to have the application for registration prepared. While respondent faxed Mr. Ly a copy of Ms. Perry's letter, which included his own notations in Chinese regarding the letter's contents,¹² Mr. Ly testified, as to respondent's description of

months later, ... I proposed that I wanted to do my own diet tea. And then Sunny Wong say, fine, if you want to do it yourself, then I'll give you the designs" (Ly Coy disc. dep. at 51.)

¹² Specifically, in reference to Ms. Perry's statements that "I will need to explain the relationship between TG Corporation and you" and that "I understand from our telephone conversation that this company is a distributor of the tea," respondent wrote in Chinese to Mr. Ly that: "Relationship between TG Company and PCT Company, after registered, subject 'Three Daughters' Tea' will be distributed in full authority by TG Company." (Petitioner's exhibit 8; and Respondent's exhibits 284 and 285.)

the parties' relationship, that "when I saw that, I was not very happy" because "[i]t's like the trademark was owned by Truong Giang and PCT together" rather than petitioner. (Ly Coy Feb. 28, 1996 test. dep. at 38-39.) Sometime thereafter, according to Mr. Ly, and perhaps not until as late as April, May or June 1992, he asked respondent "to put a hold on the registration" of the mark because "I wanted my attorney to register" it. (Id. at 39.)

Respondent, however, sent Mr. Ly a fax in Chinese on September 21, 1991 acknowledging that the registration of the mark was to be petitioner's; noting that petitioner had already paid respondent \$500.00 in connection with the mark; indicating that respondent was willing to pay \$300.00 of the \$1,300.00 estimated minimum cost of registration; and requesting payment, less a set-off for advertising paid for by petitioner, for the balance thereof. Specifically, such fax stated (emphasis added in bold; underlined terms in English in original):

- (2) Pertaining to **TG Corp's registration of Three Daughters**, all the registration is handled by the big law firm of Townsend & Townsend. The fee is \$1,300.00 (minimum). Mr. [Sunny] Wong of our company has promised that ... our company is willing to be responsible for \$300.00, with the remaining \$1,000.00 to be borne by Truong Giang. **Mr. Ly of Truong Giang has already paid a deposit of \$500.00**, the balance of \$500.00 still needs to be paid. However, the amount of \$415.00 for advertisements placed several times at Sing Tao [newspaper] can be deducted from this \$500.00. Please send a check in the amount of \$85.00 for the balance.

The parties, in the meantime, finalized their supply arrangement by signing, on September 8, 1991, a two-page "Sales

Agreement" (written entirely in English) which provides, among other things, that:

This sales agreement is made on Sept 1, 1991 between Mr Ly Hung-Tam, director of Truong Giang Corp., as buyer (hereinafter called Party-A) ... and Mr Sunny Wong, president of P.C. Teas Co, as seller (hereinafter called Party-B), ... in which Party-A will order and buy exclusively from Party-B the Dieters Herbal Drink and Party-B will make and sell exclusively the Dieters Herbal Drink to Party-A under the following terms and conditions:-

1. Tea product called Dieters Herbal Drink to be made by Party-B based on Party-A's order.

....

8. Party-B is willing to help sales of this Dieters Herbal Drink in all American Health Food Stores locally and abroad for Party-A. Profit sharing is 30% goes to Party-B and 70% goes to Party-A
9. This agreement will last for three years after the date of both Party-A and Party-B signature were given thereon. It will be automatically renewed for a further term should there be no termination ... called for by either party three months before its expiry [sic].

(Petitioner's exhibit 12; and Respondent's exhibits 221 and 231.)

The sales agreement, however, is silent as to which party is the owner of any marks for the tea product called "DIETERS' HERBAL DRINK." Instead, it merely states the terms under which respondent would process or supply such tea product to petitioner. Moreover, while not claiming that he was forced to sign such agreement, Mr. Ly indicated that he was told by respondent that the duration of the sales agreement was for two years rather than the three years stated therein. Mr. Ly signed

the sales agreement on petitioner's behalf, without reading it or having it translated, because he trusted respondent.

Mr. Ly, prior to expiration of the agreement, became dissatisfied with respondent as petitioner's exclusive supplier due to both the very high cost of the tea product and learning that, not only did the tea contain an ingredient (stevia leaves) which the FDA had warned could not legally be imported into the United States, but that one or two of petitioner's customers in Santa Ana, Texas had returned the "Three Ballerina" tea to petitioner after drinking some and experiencing diarrhea. Mr. Ly, however, did not return the complained of tea to respondent, since the amount involved was only five to ten boxes, choosing instead to call respondent several times just to tell him about the nature of the customer complaints.

With respect to registration of the mark, respondent sent Mr. Ly a fax on November 23, 1991 which, among other things, advised Mr. Ly in Chinese that (emphasis added in bold; underlined portions in English in original):

3) There will be a letter from attorney LYNN PERRY of TOWNSEND & TOWNSEND, which is responsible for registering 3-Daughter for Truong Giang, for your signature. She will adhere to **our agreement**: a letter to you for your consideration and decision regarding the principle that **3-Daughter belongs to Truong Giang, PCT ... is only responsible for the quality control of 3-Daughter production.**

(Petitioner's exhibits 13 and 30.) Mr. Ly testified that, upon receiving such fax, he "was very happy" because "what it says ..., written personally by Mr. [Sunny] Wong, was that the registration of the three daughter [mark] was owned by Truong

Giang" and that "PCT was only the processor" or manufacturer. (Ly Coy Feb. 28, 1996 test. dep. at 56-57.) A subsequent fax, dated January 20, 1992, from respondent to Mr. Ly noted, however, that registration of petitioner's mark would be delayed until the beginning of February 1992. The reason for the delay, according to Mr. Ly, was that Ms. Perry was ill.

Since, after several more months, the "Three Ballerina" mark had still not been registered, Mr. Ly went to see a lawyer, Daniel Wu, in Los Angeles "because I wanted to have him do the trademark registration for my three daughters". (Id. at 61.) Mr. Wu's requested fee of \$3,000.00 for such services, however, was too high for Mr. Ly's liking, so he declined to retain Mr. Wu to file an application for registration. Nevertheless, Mr. Wu was concerned about the matter of ownership of the mark and advised Mr. Ly that petitioner and respondent memorialize their understanding with respect thereto in writing. Mr. Wu suggested, in particular, that the parties prepare a joint announcement, to be written on stationery bearing petitioner's letterhead, in order to provide petitioner with protection for its ownership interest.

While it is disputed whether Mr. Wu or one of the employees in his law office actually prepared an initial draft of a joint announcement by the parties, Mr. Ly took Mr. Wu's advice and sent respondent an initial draft, written in Chinese on petitioner's letterhead stationery, of a joint announcement acknowledging that petitioner was the owner of the "Three Ballerina" mark and that respondent was the processor or supplier

of the product sold under such mark. Respondent modified the announcement, in a manner which Mr. Ly found to be even more agreeable, and on June 3, 1992 signed and returned to petitioner by mail an original copy thereof, with modifications included, which he had written in Chinese on a sheet of petitioner's letterhead stationery that Mr. Ly had faxed to him. Mr. Ly then signed such original on behalf of petitioner and placed it in his safe deposit box. Although Mr. Ly neglected to extend the courtesy of sending respondent a copy of the joint announcement which was signed--as evidenced by petitioner's exhibits 17 and 53 and respondent's exhibit 27--by both himself and respondent, it is clear that the parties mutually agreed to the terms thereof.

The joint announcement agreed to by the parties, as indicated by the translation thereof furnished by respondent, provides in relevant part that (emphasis added in bold; underlined portions in English in original):¹³

¹³ To the same effect, the translation of such agreement offered by petitioner as its exhibit 16 states, in pertinent part, that (emphasis added in bold; underlined portions in English in original):

TRUONG GIANG CORP.

....

Truong Giang Corp. of Los Angeles (and) PRESTIGE CHINESE TEAS COMPANY jointly announce:

The Chinese (and) English writing method in the boxes and **the trademark of the "3-Daughter Slim Tea" belong entirely to Truong Giang Corp. Prestige Chinese Teas Company is only responsible for producing and packaging the designated quantity of "3-Daughter Slim Tea" for Truong Giang Corp. It is hereby jointly stated.**

[(Signature)] (Signature)
Truong Giang Corp. Prestige Chinese Teas Co.

....

TRUONG GIANG CORP.

....

Joint Statement from
Truong Giang Trading Company of Los Angeles
Prestige Chinese Teas Company of San
Francisco

Regarding the "**Three Daughters' Slim Tea**" introduced to the market by Truong Giang Trading Company of Los Angeles, **the** format of its Chinese and English specifications and **trademark** on its box package **entirely belongs to** the property of **Truong Giang** Trading Company of Los Angeles. **Prestige Chinese Teas Company is only in charge of producing and packaging "Three Daughters' Slim Tea" in the quantity specified by Truong Giang Trading Company of Los Angeles. Hereby a joint statement is especially made.**

(Signature) (Signature)
Truong Giang Corp. Prestige Chinese Teas Co.

....

Date: Jun. 3, 1992 Date: Jun. 3, 1992

(Respondent's exhibit 305.) Petitioner, upon receiving the original of the above document by mail from respondent, testified that he called respondent to tell him that "I had received it and that I was very happy." (Ly Coy Feb. 28, 1996 test. dep. at 67.) Petitioner also testified that, when he sent respondent the initial draft of the joint announcement, he told respondent that the purpose thereof "was to protect ... Truong Giang in the future [in] that it owned ... the three daughter" mark. (Id.)

It is clear from the joint announcement that, as of June 3, 1992, the parties' were in agreement that petitioner was

Date: Jun. 3, 1992 Date: Jun. 3, 1992

(Petitioner's exhibit 33.)

the owner of the "Three Ballerina" mark and respondent was merely the manufacturer of the tea sold thereunder.¹⁴ Neither party disputes the substance of the joint announcement, although respondent maintains that he signed it solely at Mr. Ly's insistence that such an announcement would help petitioner sell more of the "Three Ballerina" tea. Respondent, as the joint announcement plainly states, simply supplied the tea and packaging therefor to petitioner, based upon the quantities ordered by petitioner, and had no ownership interest in the "Three Ballerina" mark. While petitioner, for the reasons mentioned earlier, ultimately ceased buying any tea and packaging from respondent by no later than sometime in early 1993 and came to rely, instead, entirely on ABC Tea House as its supplier, at

¹⁴ Although, in his brief, respondent maintains that the parties never entered into any binding agreement other than their September 8, 1991 sales contract, it is pointed out that, as to the legal effect of the parties' joint announcement, one of respondent's own witnesses, Mr. Wu, testified on direct examination that:

Q. Okay. Well ... would you say it's fair to say that you were considering this joint announcement to have the same function as an agreement?

A. I think an announcement is an agreement. It does have that certain kind of effect. Because what really prompted me to suggest that is both party [sic] are holding themselves out to the general public selling this product, and I don't want [it] to be misunderstood by the general public ... [as to] who is the actual owner.

And that is why I suggested that action should be taken. And it's my experience dealing with these Chinese from Vietnam or Southeast Asia, that ... they don't know about the system too well out here, and they may procrastinate. So to protect Mr. Ly, and also make sure everything is well understood by all parties, I suggest that document.

(Wu dep. at 28-29.)

no time did it ever relinquish ownership of the "Three Ballerina" mark.¹⁵

Section 1(a) of the Trademark Act provides that "[t]he owner of a trademark used in commerce may apply to register his or her trademark under this Act" Inasmuch as respondent, as of the August 20, 1992 filing date of his underlying use-based application, was not the owner of the "Three Ballerina" mark for tea, the resulting registration for such mark was and is void *ab initio*. See, e.g., *Huang v. Tzu Wei Chen Food Co. Ltd.*, 849 F.2d 1458, 7 USPQ2d 1335, 1336 (Fed. Cir. 1988).

Nevertheless, even if consideration arguably were not to be given to the parties' joint announcement due to the fact that respondent, although knowing orally of Mr. Ly's agreement with the provisions thereof, never received a courtesy copy from petitioner which was countersigned by Mr. Ly, we would still find that petitioner, rather than respondent, was and is the true owner of the subject mark for tea. We note, in this regard, that in situations in which where there is an absence of any written contractual provision or agreement that plainly specifies who is the owner of a mark, a tribunal should weigh the following factors, which are set forth in 2 J. McCarthy, McCarthy on Trademarks & Unfair Competition §16:48 (4th ed. 1999) (the

¹⁵ While respondent makes much of the fact that only he knew the initial formula for the tea he exclusively processed and packaged for petitioner as a dieters' herbal drink, nothing in the record suggests that, by omitting stevia leaves from the formula and using senna tea, petitioner so changed the dieters' herbal drink product that the inherent and identifiable character thereof was no longer the same. See, e.g., *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801, 223 USPQ 979, 982 (Fed. Cir. 1984), *citing* *E.I. du Pont de Nemours & Co. v. G.C. Murphy Co.*, 199 USPQ 807, 813 (TTAB 1978).

"McCarthy factors"), in resolving the issue of a mark's ownership (footnotes omitted):¹⁶

1. Which party invented or created the mark.
2. Which party first affixed the mark to the goods sold.
3. Which party's name appeared on packaging and promotional materials in conjunction with the mark.
4. Which party exercised control over the nature and quality of the goods on which the mark appeared.
5. To which party did customers look as standing behind the goods, e.g., which party received complaints for defects and made appropriate replacement or refund.
6. Which party paid for advertising and promotion of the trademarked product.

The above factors, on balance, demonstrate in this case that petitioner is the owner of the subject mark. While the record reveals, as noted previously, that as to the first McCarthy factor, respondent arranged for a graphics designer in Hong Kong to provide four designs for possible use as a trademark for the diet tea to be exclusively distributed by petitioner, it was petitioner's principal, Mr. Ly, who selected the "Three Ballerina" mark and consequently, from a practical standpoint, can be considered to have "created" such mark for petitioner. Thus, while respondent also assisted in the creation of the concept for the product, testifying that his firm conceived the name "Dieters' Herbal Drink," it was Mr. Ly of petitioner who had

¹⁶ As the cited treatise further points out: "No one of these factors is per se determinative, but they are merely illustrative of the questions that must be asked in the absence of contractual arrangements between the parties". Id.

the final or ultimate approval over the product's name since, as he requested, the product was to be exclusively distributed by petitioner.

As to the second McCarthy factor, the record again reflects, as mentioned earlier, that respondent acted as petitioner's agent in arranging to have various packaging materials, including fliers and inserts, printed for petitioner with the "Three Ballerina" mark. Thus, while respondent, for example, testified that his firm wrote the package directions for brewing the dieters' herbal drink tea, such assistance was rendered as part of respondent's development of the product for petitioner. Packaging inserts and fliers, while created and paid for by respondent, originally displayed petitioner's "TG" logo next to the "Three Ballerina" mark and made no mention of respondent's firm. On the whole, therefore, this factor favors petitioner. This is because the record shows that it was only in later versions, which were created after the issue of ownership became openly disputed and respondent had learned of petitioner's filing of an application, Ser. No. 74/339,152, on December 11, 1992 to register a "Three Ballerina" design for dieters' herbal teas, that respondent's "PCT" logo was featured adjacent to such mark. Moreover, only one such flier or insert, which was printed principally in Spanish for circulation to respondent's Mexican consumers, lists in English respondent's name and a post office box address to which dissatisfied customers could request "with proof of purchase ... a full money back refund." (Respondent's exhibit 257.)

The third McCarthy factor strongly favors petitioner inasmuch as the labels initially used on cases containing boxes of the tea sold under the "Three Ballerina" design not only prominently displayed petitioner's "TG" logo, but notably stated that such goods are "CUSTOM MANUFACTURED BY PCT FOR TG CORP." (Respondent's exhibits 251 and 253.) Likewise, some of the individual tea boxes originally used featured the "Three Ballerina" mark, petitioner's "TG" logo and the phrase "CUSTOM MANUFACTURED BY PCT FOR TG CORP." in addition to setting forth a post office box address for petitioner directly below its name. (Respondent's exhibit 236.)¹⁷ Similarly, other tea boxes displayed the "Three Ballerina" mark; stated that the goods were

¹⁷ In particular, with respect to such exhibit, respondent at his trial deposition on April 30, 1996 conceded that the display of petitioner's "TG" logo on the tea boxes was at Mr. Ly's request and further admitted that:

Q. And why was that [sic] placed on the box the words "Custom manufactured by PCT for TG Corp., P.O. Box 166, Monterey Park, California 91754"?

A. This is according to the terms of the ... sales agreement because he had enjoyed a limited exclusivity ... of ... the sale of the tea.

Q. Why were those words which I just quoted which appear on Exhibit 236 ... placed on this box?

A. Because he sell it to other people, and then when they have any questions, they come back to him and through him he come back to me.

Q. So the idea was that if there were any complaints, customers would go to TG Corp.; is that correct?

A. And come back to me finally because we --

Q. But it would first go to TG Corporation right?

A. Yes.

(Respondent's April 30, 1996 trial dep. at 129-30.)

"IMPORTED BY TRUONG GIANG CORP."; and listed a post office box address for petitioner immediately below its name.¹⁸

(Petitioner's exhibit 6.) Other tea boxes displayed the subject mark along with petitioner's name and California location.

(Respondent's exhibit 8.) Clearly, it is petitioner's name and/or logo which would be associated with the "Three Ballerina" mark on the packaging for the herbal diet tea sold by petitioner since respondent, in view of the manner in which his name appears thereon, would be regarded merely as a manufacturer or processor of petitioner's goods.

The fourth McCarthy factor, however, is neutral. Neither party, in any meaningful sense, exercised any kind of continuing quality control over the diet tea drink marketed under the "Three Ballerina" mark other than simply relying upon the supplier thereof to furnish a quality product. Although respondent paid for a laboratory to do an initial analysis of the dieters' herbal drink in order that the ingredients listed on the packaging thereof would meet FDA nutritional labeling requirements, neither party thereafter conducted periodic laboratory or other quality control tests on product samples. Instead, each party simply trusted the reputation of the particular suppliers or manufacturers of the goods involved. Petitioner relied upon its processors, including respondent, to

¹⁸ Although the parties, and respondent in particular, spend an inordinate amount of time arguing over the significance of whose bar code actually appears on the tea boxes, suffice it to say that since the bar code (and associated numbers) printed on the product packaging would be incomprehensible (without a bar-code reader) to most buyers,

deliver a quality product and respondent likewise trusted his sources as to the quality of the ingredients used to make the tea which he processed and packaged for petitioner pursuant to the parties' September 8, 1991 sales agreement.

With respect to which party customers looked to as standing behind the goods, the record shows that it was petitioner, acting through Mr. Ly, who received and investigated the relatively few complaints from customers about the tea sold under the "Three Ballerina" mark. Although respondent testified that he was always willing to refund any money paid by a customer dissatisfied with the product which he processed exclusively for petitioner, the record fails to show, except for a flier or package insert directed to Mexican consumers, that purchasers were even aware of respondent's money-back guarantee or how to reach respondent. Instead, as respondent had advised Mr. Ly, the initial boxes used as packaging for the "Three Ballerina" tea set forth petitioner's name and a post office box so that customers could contact petitioner, rather than respondent, concerning any problems with the product. The fifth McCarthy factor, therefore, plainly favors petitioner.

Finally, as to the sixth McCarthy factor, the record demonstrates that both parties paid for advertising and promotion of the "Three Ballerina" diet tea product. Petitioner, virtually as soon as such product was brought to market around September 1991, spent \$40.00 a week on an ad therefor in a local (Los Angeles area) Indochinese newspaper which ran once a week for a

it would at best be indicative, as testified to by respondent, of only

period of four weeks. Although petitioner did not do any television advertising during the time it was purchasing "Three Ballerina" tea from respondent, in the period between March 1995 and September or October 1995, petitioner spent about \$1,800.00 per month to advertise such tea, along with other products, on television. Petitioner also advertised the "Three Ballerina" tea in movie theaters and on the radio.

Respondent, however, also promoted such product, along with his other teas, by displaying the goods at various trade shows at which he paid a fee to be an exhibitor. Respondent, in addition, distributed price lists for the various tea blends which he sold, including the "DIETERS [sic] HERBAL DRINK" distributed by petitioner, but these lists did not display or otherwise refer to the "Three Ballerina" mark. Moreover, while respondent paid to list the "DIETERS [sic] HERBAL DRINK" in a list of manufacturers' brand names published in the November 1993 issue of the trade magazine Health Food Business, the "Three Ballerina" mark is not illustrated or otherwise mentioned. Respondent testified, however, that to advertise the "Three Ballerina" tea, he spent approximately \$1,000.00 thereon during the last three months of 1991, \$4,000.00 therefor in 1992 and, due to a decline in sales, only about \$2,000.00 to do so in 1993. The sixth McCarthy factor, therefore, is neutral, especially since neither party furnished any actual examples of their asserted advertising of the "Three Ballerina" mark.

the manufacturer of the tea rather than the owner of the subject mark.

Accordingly, of the six McCarthy factors, four favor petitioner and the other two are neutral. None of the McCarthy factors points towards respondent as the owner of the "Three Ballerina" mark, while two of the four factors on petitioner's side strongly favor petitioner as the owner of such mark.¹⁹ We conclude, therefore, that even in the absence of consideration of the parties' joint announcement, it is petitioner who, at all relevant times, was and is the true owner of the "Three Ballerina" mark. Respondent's involved registration, as explained earlier, was and is void *ab initio*.

This brings us to consideration of the issue of fraud. Section 1(a)(1)(A) of the Trademark Act provides, in pertinent part, that an application for registration "must be verified by the applicant" and must include "a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, to be the owner of the mark sought to be registered" As our principal reviewing court has noted in *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986):

¹⁹ Although respondent stresses that he was the only party who carried product liability insurance for the goods which he processed or packaged for petitioner, we find that such fact is not probative of respondent's asserted ownership of the disputed mark inasmuch as it was prudent for respondent, as the manufacturer of the goods, to carry such insurance irrespective of which party was the actual owner of the mark. Respondent, in fact, conceded on cross-examination that it is a good and normal business practice for a manufacturer to have product liability insurance since, "as a manufacturer, you should have that to protect you, [and] protect everybody concerned." (Respondent's May 1, 1996 trial dep. at 195.)

Fraud in procuring a trademark registration ... occurs when an applicant knowingly makes false, material representations of fact in connection with his application. See *Le Cordon Bleu, [S.A. v. BPC Publishing Ltd.,]* 451 F.Supp. [63,] ... 72 n.14, 202 USPQ [147,] ... 154 n.14 [(S.D.N.Y. 1978)]; *Schwinn Bicycle Co. v. Murray Ohio Manufacturing Co.,* 339 F.Supp. 973, 983, 172 USPQ 14, 21 (M.D. Tenn. 1971), *aff'd*, 470 F.2d 975 [176 USPQ 161] (6th Cir. 1972). "[T]he obligation which the Lanham Act imposes on an applicant is that he will not make *knowingly* inaccurate or *knowingly* misleading statements in the verified declaration forming a part of the application for registration." *Bart Schwartz International Textiles, Ltd. v. Federal Trade Commission*, 289 F.2d 665, 669, 129 USPQ 258, 260 (CCPA 1961) (emphasis in original).

Here, it is clear from the record that respondent had been requested by Mr. Ly to register the "Three Ballerina" mark for petitioner; respondent had agreed to do so; he had been advised by his trademark counsel that only the owner of such mark was entitled to apply for its registration;²⁰ and he had

²⁰ In particular, Ms. Perry, who testified that it was her normal practice to determine what entity owned a mark before filing an application for registration thereof, sent respondent a fax on September 19 or 20, 1991 which, in addition to requesting a \$650.00 retainer to file an application for registration of the "Three Ballerina" mark and noting that further costs would be a minimum of \$700.00, set forth the following:

Presumably the owner of the mark will be Sunny Wong, dba PC Teas Company, but let me know if this is not accurate. Finally, I will need to explain the relationship between TG Corporation and you. I understand from our telephone conversation that this company is a distributor of the tea. If this is not accurate, please let me know. We will also need to disclose to the Trademark Office if this company is licensed to use the mark. If the company is, it will be advisable to have a written license.

(Petitioner's exhibit 42.) Subsequently, on April 9, 1992, Ms. Perry again sent respondent a fax regarding ownership of such mark and the execution of a license agreement, stating that:

acknowledged in writing that petitioner was the owner thereof on several occasions, including the revised joint announcement which he signed on June 3, 1992.²¹ Respondent, nevertheless, willfully persisted in having Ms. Perry register the "Three Ballerina" mark *in his name* even after agreeing to Mr. Ly's request, made by April, May or June 1992, to defer registration of the mark (because Mr. Ly desired to have his attorney register it instead) and returning the money Mr. Ly had paid towards registration (by applying it to a fee petitioner owed respondent for their sharing of a trade show booth).

This is further to our telephone conversation of April 8, 1992. I attach to this letter a copy of the trademark application which I sent to you ... [in] December ... 1991. As I mentioned in our telephone conversation, two different people cannot be owners of a trademark as the rule is that a trademark cannot serve two owners. For this reason, I have

made you the owner of the trademark, but this trademark can be enforced in favor of your business associate, Mr. Ly Hung Tam. Please sign and return the application to me for filing in the Trademark Office.

I am also attaching to this letter an addendum to the [sales] agreement dated September 8, 1991 which clarifies paragraph 8 and adds exclusivity. Please have the addendum signed and return a copy to me for my records.

Finally, I am enclosing the original License Agreement that I sent ... [on] December 4, 1991, with the revisions you and I discussed concerning exclusivity and pricing to reflect the terms of the September 8, 1991 Sales Agreement. Both parties should sign the revised License Agreement as well as the Addendum and return a copy to me for my files.

(Respondent's exhibits 222 and 269.)

²¹ For instance, as previously mentioned, respondent sent Mr. Ly a fax on September 21, 1991 referring to *petitioner's* registration of the mark and stated, in a fax sent to Mr. Ly on November 23, 1991, that pursuant to "our agreement," the "3-Daughter [mark] belongs to Truong Giang. (Petitioner's exhibits 13 and 30.)

In particular, respondent not only knew that Mr. Ly had not signed or returned either the original or the revised version of a license agreement²² which respondent had authorized Ms. Perry to prepare,²³ but more importantly, respondent also admitted that

²² As respondent obviously knew, given his command of English, such agreement provided that respondent was the owner of the subject mark and that petitioner's principal, Mr. Ly, was only a licensee. In particular, the license agreement, which named "Sunny Wong, doing business as PC Teas Company and PCT, ... ('Licensor') and Hung-Tam Ly, an individual ... ('Licensee')," provided among other things that:

Licensor is the owner of the trademark DIETERS' HERBAL DRINK and the package design including the words, "NATURAL GREEN LEAF BRAND FOR WOMEN & MEN DIETERS' HERBAL DRINK & Cup and Ballerina Design for" tea (the "Mark), and all applications and Registrations pertaining thereto.

THEREFORE, in consideration of \$1.00 and other ... consideration, ... Licensor and Licensee hereby agree:

1. Licensor hereby grants Licensee an exclusive license to use the Mark for tea in the United States (the "Territory")

2. The term of this License shall be three years

3. Licensor shall produce and package tea, bearing the Mark (the "Product"), as required by Licensee.

....

6. Licensee acknowledges Licensor's ownership of and rights in the Mark and agrees to take no action contrary to such ownership and rights.

7. Licensor may, in its sole discretion, attempt to register the Mark in the Territory or elsewhere, but shall have no obligation to do so. Licensor shall in the near future file an application to register the Mark in the United States, however.

....

(Petitioner's exhibit 18 and respondent's exhibit 266.)

²³ Curiously, like the parties' sales agreement, the versions of the license agreement forwarded by respondent to petitioner were not translated from English into Chinese so that Mr. Ly could read them before signing. Yet the record reveals that it typically was respondent's practice to provide Mr. Ly with at least a cursory translation of any other English language documents which were

he never gave a copy of the parties' June 3, 1992 joint announcement, which he had revised and signed, to Ms. Perry, even though such announcement plainly is directly at odds with his claims of ownership of the "Three Ballerina" mark and that petitioner was just an exclusive distributor of the tea sold under such mark. Respondent's explanation for his deliberate behavior, which we find to be inexcusable in view of his fluency in both English and Chinese, was that the joint announcement was written in Chinese. Specifically, as respondent testified on cross-examination:

Q. So you never showed the joint announcement document to Lynn Perry at any time, is that correct?

A. Yeah, because it's in Chinese.

Q. You never translated it for her?

A. No.

(Respondent's May 1, 1996 dep. at 240.)

The PTO, therefore, was not only falsely and materially advised that petitioner, whose name appeared on the specimens filed as part of respondent's application for registration of the "Three Ballerina" mark, was a licensee of respondent, but respondent knew that Mr. Ly had refused to sign any license agreement and thus knew, or plainly should have known, that a license agreement had not in fact been entered into by the

exchanged as part of the parties' business dealings. Given the critical nature of both a sales agreement and a license agreement, the inference that must be drawn from the failure of respondent to apprise Mr. Ly of the substantive contents of such documents is that, at the very least, respondent intended to keep Mr. Ly--and hence petitioner--less than fully informed in order to secure a more advantageous business position.

parties.²⁴ Respondent also knew, or should have known, in light of the joint announcement which he revised, signed and sent to Mr. Ly and which Mr. Ly had told him he was very happy with, that respondent was not the owner of the "Three Ballerina" mark. While respondent was understandably upset upon learning that petitioner was having ABC Tea House package such product, in what respondent regarded as a breach by petitioner of the parties' sales agreement under which respondent was to be petitioner's exclusive supplier, respondent's remedy was a suit to enforce the parties' contract rather than to take petitioner's mark and register it as his own.

We consequently find that respondent, by advising the PTO that petitioner was his licensee and claiming under oath that he was the owner of the "Three Ballerina" mark when he knew or plainly should have known otherwise, made knowingly false and material representations of fact in connection with his application which induced the PTO to issue him the subject registration for the "Three Ballerina" mark. Such registration was accordingly procured by fraud.

Decision: The petition to cancel is granted on both grounds and Reg. No. 1,776,684 will be cancelled in due course.

G. D. Hohein

²⁴ Although not pleaded as part of petitioner's claim of fraud, we find that such facts and the question of fraud which they raise were tried by the express or implied consent of the parties as an additional basis for petitioner's claim of fraud. The pleadings are accordingly deemed to be amended to so conform to the evidence. Fed. R. Civ. P. 15(b).

Cancellation No. 22,241

P. T. Hairston

B. A. Chapman
Administrative Trademark Judges,
Trademark Trial and Appeal Board