

THIS DISPOSITION IS NOT
CITABLE AS PRECEDENT OF THE TTAB

AUG. 25, 99

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Yangtse River Company, Inc.
v.
Concept Housewares, Inc.

Cancellation No. 26,685

Alan J. Haus of Haus & Carlin for Yangtse River Company,
Inc.

David Barry Whitehead of Whitehead, Porter & Gordon LLP for
Concept Housewares, Inc.

Before Cissel, Chapman and Bottorff, Administrative
Trademark Judges.

Opinion by Cissel, Administrative Trademark Judge:

Registration No. 2,050,992 issued on the Principal
Register to Concept Housewares, Inc. on April 8, 1997, based
on an application filed on June 11, 1996. The mark shown
below

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was registered for "pot racks and mounting hardware sold therewith, in Class 20." The term "RACK" was disclaimed apart from the mark as shown. First use and first use in commerce was claimed as of July 1, 1995.

On September 3, 1997, a petition for cancellation was filed by Yangtse River Company, Inc. As grounds for cancellation, petitioner alleged that it is the successor to Smart Kids, a California corporation, Norman Ng, an individual, and Victor Moye, also an individual, in the business known as Taylor & Ng; that as of July 1, 1995, the date upon which the registration claims first use, Smart Kids was the owner of all rights to the registered mark, and had been since 1993 or earlier; that as of July 1, 1995, registrant did not even exist; that the registration was obtained by means of fraud; that petitioner has purchased the rights of Smart Kids, Norman Ng and Victor Moye, which rights include the rights to the registered mark; and that allowing respondent's registration to subsist damages petitioner.

Respondent denied the essential allegations set forth in the petition to cancel. Respondent further asserted as "affirmative defenses" that petitioner's predecessors abandoned the registered trademark; that there never was a valid assignment of the trademark to any of petitioner's predecessors; that there never was an assignment of the good

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will or business associated with the mark to any of petitioner's predecessors; that the only entity with standing to file the petition to cancel is the bankruptcy estate of Norman Ng; that petitioner's knowledge of respondent's use of the mark since 1995 and failure to institute an infringement action based on that use constitutes laches; that neither petitioner nor any of its purported predecessors have priority of use over respondent; that petitioner's allegations of fraud do not meet the requirements of the Federal Rules of Civil Procedure that fraud must be pleaded with particularity; and, finally, that petitioner's predecessor Norman Ng has unclean hands, in that he has filed forged instruments with the Patent and Trademark Office and has misrepresented ownership of assets, including intellectual property, in order to secure bank financing, such that a federal grand jury indictment has been issued against him for bank fraud.

During the testimony period established by the Trademark Trial and Appeal Board, petitioner submitted as its testimony the declarations of Gary Fonzi, Norman Ng, Victor Moye, and Alan Haus. Respondent then timely submitted as its testimony the declarations of Craig Adams and David Barry Whitehead. Over a month and a half later, and 17 days after the close of the period for rebuttal

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testimony, petitioner submitted an additional declaration from Mr. Haus.

Plaintiff filed its brief. Then respondent filed its brief, together with an additional declaration from Mr. Whitehead and a "Document Packet," which includes Exhibits A through Q, which consist of further declarations and other exhibits characterized as materials which had been previously submitted. Petitioner filed a reply brief, and then respondent did so as well.

Petitioner objected to respondent's brief because it was filed two days late. The Board finds that respondent's explanation for the late filing of its brief constitutes excusable neglect. In the hope it would clarify some of the confusion generated by petitioner's brief, the objected-to brief has been considered.

There is no provision in the rules for the submission of a reply brief by the party in position of defendant, however, so we have not considered respondent's reply brief. See TBMP Section 801.02(d).

The "record" in this proceeding appears to be the product of misunderstandings concerning the nature of a cancellation proceeding before the Board and how to make testimony and evidence of record in connection with the pleaded claims and defenses. See TBMP Section 702.

Normally, the parties to a proceeding such as this conduct discovery, then take the testimony, including both examination and cross-examination, of any witness who is knowledgeable concerning the facts (with supporting documentation) for the respective theories of petitioner and respondent. Then these theories of the case are presented in the briefs in such a way that the relative strengths and weaknesses of the positions of both parties can be determined.

In the instant case, however, neither party appears to have taken discovery or testimony, at least not in accordance with the Trademark Rules of Practice. Instead, the Board is presented with the pleadings, including one of the grounds for cancellation (fraud), as well as various affirmative defenses, which are never again mentioned by the parties which raised them, and a series of declarations submitted by one party or the other, some within the testimony period of the submitting party, others outside of such period.

The way in which testimony may be taken and made of record is set forth clearly in Rule 2.123 of the Trademark Rules of Practice. The only way to make a declaration part of the record is by written stipulation of the parties.

Because the burden of proving that the challenged registration should be canceled is on the petitioner, in

circumstances where no evidence or testimony has been properly made of record, the petition would necessarily be denied for failure of proof.

The instant case, however, is different from the example just given. In the case at hand, respondent was apparently under the same mistaken impression as petitioner, i.e., that declarations would be acceptable, even without a written agreement wherein the parties stipulated that such documents are to be considered by the Board. Respondent did not object to petitioner's submission of declarations; rather, respondent likewise submitted its own declarations, although, as with petitioner's declarations, they were not all filed within the testimony period established by Board order for the party, and both parties treated them as if they were properly introduced testimony. Then both parties presented their arguments in the briefs (and the one reply brief we considered) as if the declarations were in fact properly of record.

In view of these facts, we have considered the declarations which were timely submitted during the appropriate testimony periods as if they had been stipulated into the record. The declarations submitted by petitioner which fall into this category are those of Mr. Fonzi, Mr. Ng, Mr. Moye, and the April 15, 1998 declaration of Mr. Haus. We have considered the declarations of Craig Adams

and David Barry Whitehead, submitted by respondent and received on June 16, 1998 with a certificate of mailing dated June 12, 1998, on the same basis that we considered the above-referenced declarations submitted by petitioner. Each of these declarations was submitted during the designated testimony period of the party seeking to have it considered, with the implied consent of both parties.

We have not, however, accorded the declarations and materials submitted outside of the respective testimony periods the same consideration. The parties cannot by stipulation (either actual or implied) alter the Trademark Rules of Practice in such a way as to extend the testimony periods without prior approval by the Board. This authority remains with the Board, and cannot be circumvented by an ex post facto, implied agreement of the parties. See TBMP Section 717.

Further, we decline petitioner's invitation to take judicial notice of the record in the cited case before the United States District Court for the Northern District of California. We also deny petitioner's assertion in its brief, p. 3, that we may take judicial notice of the fact that ECI, the original registrant, had its corporate powers suspended by the State of California on August 1, 1990. These are not the kinds of facts which may be judicially noticed under Rule 201 of the Federal Rules of Evidence,

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i.e., facts which are not subject to reasonable dispute in that they are generally known within the territorial jurisdiction of the Board, or are capable of accurate and ready determination by resort to sources whose accuracy cannot be reasonably questioned. If petitioner sought to establish these matters as facts, it should have introduced evidence or testimony concerning them. See TBMP Section 712.

With this limited record in mind, we thus turn to a discussion of the merits of the pleaded claims. As noted above, the grounds for cancellation pleaded by petitioner are that respondent obtained the registration by means of fraud, and that respondent is not the owner of the mark or the registration. Respondent denied both of these claims, and asserted the aforementioned affirmative defenses.

In that this record contains no evidence, testimony, or even argument from plaintiff on the issue of fraud, that claim has not been further considered. In any event, fraud is a claim that must be "proved to the hilt" by "clear and convincing evidence." [See *Smith International, Inc. v. Olin Corporation*, 209 USPQ 1033 (TTAB 1981)]. Petitioner has plainly not met this standard in the instant case. The petition to cancel on the ground of fraud is accordingly denied.

In order to prevail on the pleaded claim for cancellation because respondent does not own the mark or the registration, petitioner had the burden of establishing this by a preponderance of the evidence. This less stringent standard of proof is to be contrasted with the clear and convincing evidence standard required to prove a fraud claim. When we consider the declarations submitted during the testimony periods of the parties, there is evidence on this issue, and the parties did submit arguments relating to this issue.

It is appropriate at this juncture to explain how frustrating it has been for the Board to try to sort out the evidence and arguments of the parties in this regard. The declarations which we considered provide textbook examples of the shortcomings of such documents as compared to testimony which is taken and then tested by means of cross-examination. Parts of what the declarants state is either contradicted by other declarations or other evidence, or else it is not supported by the documentation one would expect to find memorializing the assorted agreements and assignments asserted by the parties to have been made. Interestingly, some of the documents which are of record do not even appear to involve the mark at issue in this proceeding.

Then there are the aforementioned briefs. Petitioner's two briefs, exclusive of the attachments, total only fourteen pages, and respondent's brief is only two pages longer than that, notwithstanding the fact that the arguments made in these briefs present contentions as to the facts surrounding the nature and validity of the acquisition and/or use of the mark by no fewer than nine different entities. Counsel for the parties may well have had very clear understandings of the operative facts in this regard, probably because of the familiarity required to conduct all the other litigation surrounding the relationship between these two businesses and their principals, but it would have helped the Board if a more cohesive, readily understandable explanation had been provided as to each party's version of who took what from whom, when and how it was accomplished, with references to the supporting agreements, contracts and other documentation.

Petitioner's theory appears to be that respondent's predecessor abandoned the mark and petitioner now owns it by virtue of subsequent adoption and use of it by petitioner's predecessors. Petitioner argues that the original registrant, ECI, was out of business in 1993 when Smart Kids became the owner of the mark by virtue of Smart Kids' continuous use since 1987; that Smart Kids assigned its rights in the mark to Mr. Ng, whose subsequent bankruptcy

led the trustee in bankruptcy to transfer Mr. Ng's rights to the mark to Mr. Moye, who assigned them to petitioner, the corporation Mr. Moye had just formed.

The Board has tried to evaluate the timely-filed declarations and the exhibits to them. Neither this record nor the briefs, however, have provided us with a clear idea of what actually took place among the various entities that the parties claim either used or possessed the right to use the mark at issue in connection with the goods specified in the registration.

The evidence just does not show what petitioner argues took place. Petitioner offered no evidence that ECI's corporate status was suspended or that ECI otherwise abandoned the mark. Petitioner's claim that it owns the mark also suffers from a lack of proof. It is not at all clear that Mr. Ng's assignment of Smart Kids' assets to himself included the rights to this mark, or that the sale by his trustee in bankruptcy to Mr. Moye did so either. Moreover, this record does not include evidence of use by anyone in petitioner's asserted chain of title since Mr. Ng claims to have used it. This claim of use is contradicted by the declaration of Mr. Adams, the owner of respondent, which Mr. Moye concedes continues to use the mark.

Based on our consideration of the record in this case, we cannot conclude that petitioner's claim that respondent

does not own the mark or registration has been established by a preponderance of the evidence.

In view of the fact that petitioner has not proved its case, we need not determine the merits, or lack thereof, of the various "affirmative defenses" asserted by respondent in its answer. In fact, most of them are merely assertions of facts in opposition to petitioner's version of the facts alleged to support the two grounds for cancellation. As to the actual affirmative defenses of laches and unclean hands, respondent offered neither evidence nor argument on them, so they must fail.

In summary, petitioner has failed to meet its burden of establishing either pleaded ground for cancellation. Accordingly, the petition is denied.

R. F. Cissel

B. A. Chapman

C. M. Bottorff
Administrative Trademark Judges,
Trademark Trial & Appeal Board