

Hearing:
July 12, 2000

1/30/01

**THIS DISPOSITION
IS NOT CITABLE AS PRECEDENT
OF THE T.T.A.B.**

Paper No. 78
PTH

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Mark R. Newman, d/b/a
MRN Enterprises

v.

Unlimited Concepts, Inc. d/b/a
Tri-Corp Marketing

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George R. Brown of Whitehall Linden Grynkewich & Halladay
for Mark R. Newman, d/b/a MRN Enterprises.

Howard B. Rockman of Sonnenschein Nath & Rosenthal for
Unlimited Concepts, Inc., d/b/a Tri-Corp Marketing.

Before Seeherman, Hairston and Chapman, Administrative
Trademark Judges.¹

Opinion by Hairston, Administrative Trademark Judge:

Mark R. Newman, d/b/a MRN Enterprises has petitioned to
cancel the registrations owned by Unlimited Concepts, Inc.,
d/b/a Tri-Corp Marketing for the marks shown below,

¹ Judge Seeherman has been substituted for Judge McLeod who is no longer with the U.S. Patent and Trademark Office.

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Registration No. 1,809,488

and

Registration No. 1,811,017

both for "smoking pipes."²

² Registration No. 1,809,488 issued December 7, 1993 and Registration No. 1,811,017 issued December 14, 1993; respectively. A Section 8 affidavit was filed in connection with the latter registration. Each registration contains the statement that "The lining is a feature of the mark and is not intended to indicate color."

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As grounds for cancellation of both registrations, petitioner alleges that he has used the marks shown in the registrations sought to be cancelled in connection with tobacco water pipes and T-shirts since prior to the dates of first use alleged in the registrations; that he is the owner of applications to register these marks (Serial Nos. 74/431,706 and 74/431,707); that registration of his applications has been refused under Section 2(d) of the Trademark Act in view of the involved registrations; that Registration Nos. 1,811,017 and 1,809,488 were fraudulently obtained because respondent's president, Jeffrey Richards, knew of petitioner's "property interest" in the marks in both registrations; and that this property interest was material information which respondent failed to disclose to the Patent and Trademark Office at the time respondent filed its trademark applications.³

Respondent, in its answer, has denied the salient allegations of the petition to cancel.⁴

The record consists of the pleadings; the files of the involved registrations; and the trial testimony, with

³ We should point out that notwithstanding petitioner's allegations of prior use, he has not asserted a likelihood of confusion claim.

⁴ Respondent also asserted the affirmative defenses of acquiescence, laches, estoppel, and unclean hands. In addition, respondent asserted that the Board does not have jurisdiction over this matter because an agreement between the parties provides that all disputes will be decided by arbitration. Inasmuch as respondent did not pursue any of these defenses, we have given them no consideration.

related exhibits, taken by each party. Both parties filed briefs on the case and an oral hearing was held before the Board.

The Parties

Petitioner, Mark R. Newman, operates two retail smoke shops known as Head East and Head West in the Tucson, Arizona area. Petitioner opened his Head East shop in November 1977 and his Head West shop in 1983. Petitioner sells smoking accessories, cigarettes, tobacco, t-shirts and incense.

Respondent, Unlimited Concepts Inc., is in the business of selling contemporary tobacco products, such as tobacco water pipes. Jeffrey Richards is president and CEO of respondent.

Although not a party to this proceeding, Aztec Technology International (Aztec) was a partnership which was formed on May 11, 1988 and its members were Mark R. Newman, the petitioner herein; Jeffrey Richards, president and CEO of respondent; and Ray Clark. The purpose of Aztec, according to the partnership agreement, was "to legally obtain and distribute any and all items the partners may wish to obtain and distribute." During its existence, Aztec had no employees, offices, or telephone number.

Abandonment

Petitioner, for the first time in his brief on the case, has raised the issue of abandonment with respect to the mark in Registration No. 1,809,488. Petitioner's claim of abandonment is based on the testimony of Jeffrey Richards. When asked during a testimony deposition whether respondent had abandoned the mark, Mr. Richards responded "Yes." (Richards Deposition, p. 41.) Respondent, in its brief on the case, does not dispute that it has abandoned the mark. Also, respondent indicated that it did not intend to file a Section 8 affidavit in connection with the registration. Indeed, Office records indicate that no affidavit was filed. In view of the foregoing, we deem the petition to cancel to be amended under Fed. R. Civ. 15(b) to include a claim of abandonment with respect to Registration No. 1,809,488. Moreover, in view of Mr. Richard's testimony that the mark therein has been abandoned, the petition to cancel Registration No. 1,809,488 on the ground of abandonment is granted.

Having granted the petition to cancel Registration No. 1,809,488 on the ground of abandonment, we need not reach the issues of ownership and fraud with respect to this registration. We turn then to the issues of ownership and fraud with respect to Registration No. 1,811,017. The parties refer to the mark therein as the JESTER mark.

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Petitioner testified that in 1989 he came up with the idea and actually developed the prototype for a new style of tobacco water pipe known as GRAFFIX. According to petitioner, he wanted to put his personal signature on the product and with the assistance of a graphic artist, Richard Reavis, he came up with the JESTER mark. Petitioner testified that he paid Mr. Reavis \$700.00 cash for the art work. According to petitioner, he thereafter granted an implied license to Aztec to distribute the GRAFFIX style tobacco water pipes bearing the JESTER mark. Petitioner testified that in late 1989 he contacted SMF manufacturing in Tucson to handle large scale production of the tobacco water pipes. Aztec, as evidenced by the cancelled checks of record, paid SMF Manufacturing the costs of production of the pipes. In addition, in January 1990 Aztec paid Graphyx Artwear the costs of printing 10,000 labels bearing the Jester mark. These labels were applied to tobacco water pipes which were distributed by Aztec. Petitioner testified that he took the "overruns" when the labels were printed and applied these to water pipes which he sold at his two smoke shops. Petitioner testified that he has used the JESTER mark on tobacco water pipes continuously since January 1990. According to petitioner, he was acting on his own when he developed the GRAFFIX style tobacco water pipe and the JESTER mark, that Aztec was a mere distributor of GRAFFIX

tobacco water pipes bearing the JESTER mark, and that he did not assign any rights in the JESTER mark to Aztec.

Respondent's president and CEO Jeffrey Richards testified that petitioner was acting on Aztec's behalf when petitioner developed the GRAFFIX style tobacco water pipe and the JESTER mark, and that as indicated above, Aztec paid for the manufacturing of the water pipes and the labels which were affixed to the water pipes. Richards testified that when Aztec ceased doing business in March 1991, he liquidated the assets of Aztec through a company named Reminiscence and paid petitioner his share of the proceeds. According to Richards, neither petitioner nor the other partner in Aztec, Ray Clark, had any desire to continue doing business together. Richards testified that he continued to distribute the GRAFFIX style tobacco water pipes with the JESTER mark through respondent Unlimited Concepts, Inc. and continues to do so. Thus, respondent maintains that rights in the JESTER mark passed to it from Aztec.

Petitioner's principal argument in this case is that respondent is not the owner of the JESTER mark because Aztec, as a mere distributor, had no ownership rights in the mark which it could transfer to respondent. Alternatively, petitioner argues that even if Aztec had rights in the JESTER mark, respondent did not acquire such rights because

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Aztec did not transfer them to respondent by way of a formal assignment. Finally, petitioner argues that respondent committed fraud because respondent claimed in its application that it first used the JESTER mark in March 1990 when respondent knew that it did not use the mark on this date.

With respect to applicant's first argument, we note that the Aztec partnership was a loosely organized venture, to say the least. The entire Aztec partnership agreement is less than one page and there are no provisions concerning ownership of products or marks which were developed. Also, the parties have offered conflicting testimony as to whether Aztec was the owner of the JESTER mark or a mere distributor. In the absence of a written agreement covering ownership of the JESTER mark, and in view of the conflicting testimony on this matter, we cannot say that petitioner has proven that respondent is not the owner of the JESTER mark because Aztec was a mere distributor and had no ownership rights to transfer to respondent. Rather, the fact that the documentary evidence shows that Aztec paid for the manufacture of the water pipes as well as the costs of printing the labels bearing the JESTER mark would tend to support respondent's position that Aztec was not a mere distributor.

Also, it is well settled that rights in a trademark are gained only through actual usage of the mark. No rights accrue to one who invents or comes up with the idea for a trademark. 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, Section 16.11 (4th ed. 1996). Thus, even though it is undisputed that the JESTER mark was petitioner's idea, this is not enough to establish petitioner's ownership of the mark. We recognize that petitioner, for the most part, created the prototype of the GRAFFIX style tobacco water pipe.⁵ Although in the case of a manufacturer and distributor there is a presumption that the manufacturer owns the mark, the present situation is somewhat different because another entity actually manufactured the water pipes and it was Aztec which paid the costs of the manufacturing.

With respect to actual usage of the mark, petitioner testified that he took "overruns" from the first printing of labels bearing the JESTER mark and applied them to water pipes which were sold at his two smoke shops in January 1990. Petitioner maintains that this was the first use of the JESTER mark. Respondent, on the other hand, introduced as an exhibit an Aztec invoice dated February 2, 1990 for the sale of JESTER water pipes to T-Shirt Headquarters in

⁵ We say for the most part because there is testimony that he received some assistance from Ray Clark, another partner in Aztec.

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St. Louis, Missouri. Moreover, it is respondent's position that petitioner's January 1990 sales of JESTER water pipes were on behalf of the Aztec partnership.⁶ This seems reasonable to us inasmuch as previously indicated, Aztec paid for the water pipes and the labels. Further, based on the testimony, both petitioner and Richards continued to use the JESTER mark on water pipes after Aztec ceased doing business in March 1991. Petitioner testified that he became aware that Richards was still using the mark and told Richards to stop. Although Richards did not stop, petitioner took no action. Rather, the testimony of both petitioner and Richards indicates that the two entered into yet another venture to sell a second type of tobacco water pipe. There is nothing in writing concerning this venture. This continuing relationship between petitioner and Richards militates against a finding that petitioner was the owner of the JESTER mark, that is, if petitioner believed that Richards was not entitled to use the JESTER mark, it seems unlikely that petitioner would have entered into yet another venture with Richards in the absence of a written agreement with specific terms concerning ownership of products and marks (including JESTER) which were developed.

⁶ We note that respondent, in its application, alleged a first use date of March 1990, although respondent's president, Jeff Richards, testified that Aztec first sold water pipes bearing the JESTER mark around January 1990.

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With respect to petitioner's second argument, we cannot say, based on this record, that upon the dissolution of Aztec, rights in the JESTER mark were not transferred to respondent. While we recognize that there was no formal assignment of rights in the JESTER mark from Aztec to respondent, there is no dispute that upon the dissolution of Aztec, Jeff Richards, through respondent, continued to use the JESTER mark. Moreover, Richards paid petitioner certain sums of money which may be reasonably characterized as petitioner's share of the Aztec partnership's assets. Also, it does not appear that the third partner, Ray Clark, had any interest in continuing to use the mark.

We turn then to petitioner's final argument. As noted by the Board in *Kemin Industries, Inc. v. Watkins Products, Inc.*, 192 USPQ 327 (TTAB 1976) at 329, fraud upon the U.S. Patent and Trademark Office:

. . . signifies a willful withholding from the Office by an applicant or registrant of material information which, if transmitted and disclosed to the Examiner, would have resulted in the disallowance of the registration sought. To state it another way, a person seeking registration is under a duty not to make any knowingly misleading or incorrect statement in affidavits forming a part of the application for registration. There is, however, a material legal distinction between a "false" representation and a "fraudulent" one, the latter involving an intent to deceive, whereas the former may be occasioned by a misunderstanding, an inadvertence, a mere negligent omission, or the like.
(citations omitted)

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Moreover, as the Board stated in *Smith International, Inc. v. Olin Corporation*, 209 USPQ 1033 (TTAB 1981) at 1044:

. . . the very nature of the charge of fraud requires that it be proven "to the hilt" with clear and convincing evidence; there is no room for speculation, inference, or surmise and any doubt must be resolved against the charging party.

Keeping the above in mind, we cannot say that petitioner has established by clear and convincing evidence that respondent committed fraud on the U.S. Patent and Trademark Office because it alleged that it first used the JESTER mark in March 1990. While the better practice would have been for respondent to have disclosed in the application that it was relying on first use of the JESTER mark by Aztec, the fact that respondent failed to specifically indicate this was not fraudulent. Moreover, the fact that respondent alleged a first use date of March 1990 rather than January 1990 as set forth in the testimony of Jeff Richards is not fatal inasmuch as the March 1990 date was prior to the filing date of the application, i.e., April 8, 1993. It is well settled that a misstatement of a date of first use in commerce is not fraudulent provided that there has been use of the mark in commerce prior to the filing date of the registrant's application. See *Girard Polly-Pig, Inc. v. Polli-Pig by Knapp, Inc.*, 217 USPQ 1338 (TTAB 1983).

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Finally, we recognize that Richards filed another application for a different mark, SEALS, for a paper used to wrap tobacco wherein he listed himself and petitioner as co-owners of the mark sought to be registered. Aztec distributed wrapping papers bearing the SEALS mark. Petitioner claims that this is "evidence" that Richards has taken inconsistent positions with respect to ownership of marks which were used by Aztec. Although respondent did not specifically address this contention in its brief, we do not find that the listing of petitioner and Richards as co-owners of the SEALS mark is necessarily inconsistent in view of the very loose nature of the Aztec partnership.

As noted above, a claim of fraud must be proven "to the hilt." Not only does petitioner's evidence fall short in this regard, but quite frankly, the evidence in general in this case is contradictory and unclear. As the plaintiff in this proceeding, petitioner had the burden of establishing that respondent is not the owner of the JESTER mark and that respondent committed fraud in obtaining its registration for this mark. Petitioner has failed to meet his burden in both instances.

Decision: The petition to cancel Registration No. 1,809,488 on the ground of abandonment is granted; the petition to cancel Registration No. 1,811,017 on the grounds

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of lack of ownership of the JESTER mark and fraud in
obtaining the registration is denied.