

**THIS OPINION IS NOT A
PRECEDENT OF THE T.T.A.B.**

Mailed:
December 7, 2011

UNITED STATES PATENT AND TRADEMARK OFFICE

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Trademark Trial and Appeal Board

—
Paul Audio, Inc.

v.

Baoning Zhou
—

Cancellation No. 92049924

—
A. Justin Lum of The Law Offices of A. Justin Lum for
Paul Audio, Inc.

John D. Tran of Ardent Law Group PC for Baoning Zhou.

—
Before Holtzman, Bergsman and Kuczma,
Administrative Trademark Judges.

Opinion by Bergsman, Administrative Trademark Judge:

Paul Audio, Inc. ("petitioner") has filed a petition to
cancel Registration No. 3252760 for the mark C-MARK, in
standard character form, owned by Baoning Zhou
("respondent") for the goods listed below.¹

Amplifiers; audio equipment for
vehicles, namely, stereos, speakers,
amplifiers, equalizers, crossovers and
speaker housings; audio mixers; audio
speaker enclosures; audio speakers;
Digital signal processors; echo sounding
devices; electric connectors; electric
current switches; electric light
dimmers; electric light switches;

¹ Registration No. 3252760, issued June 19, 2007.

graphic equalizers; microphones; radios; signal processors; sound mixers; stereo tuners, in Class 9 (hereinafter "stereo equipment").

Petitioner has alleged that respondent's mark C-MARK for stereo equipment is likely to cause confusion with its previously used mark C-MARK for "audio and electronic equipment, including but not limited to goods such as speakers, speaker boxes, speaker enclosures, amplifiers, equalizers."² Petitioner also alleged numerous other grounds for cancellation including, *inter alia*, that the registration "is void *ab initio* because Respondent was not the owner of the mark at the time the application was filed"³ and that respondent obtained its registration through fraud.⁴ Respondent denied the salient allegations in the petition for cancellation and alleged that petitioner abandoned its mark C-MARK "with the intent to abandon."⁵

The Record

By operation of Trademark Rule 2.122, 37 CFR §2.122, the record includes the pleadings and the registration file for respondent's mark. The record also includes the following testimony and evidence:

² Petition for cancellation ¶¶2 and 3.

³ *Id.* at ¶17.

⁴ Petition for cancellation ¶¶22-26.

⁵ Respondent's Answer ¶4.

A. Petitioner's Evidence.

1. Petitioner filed a notice of reliance on the following documents:
 - a. A copy of Registration No. 1906390 for the mark C-MARK for stereo equipment;⁶
 - b. The "Trademark Assignment Abstract of Title" for Registration No. 1906390;
 - c. A copy of petitioner's application Serial No. 77312117 for the mark C-MARK, in standard character form, for stereo equipment;⁷
 - d. Copies of corporate status information for petitioner and other related companies from the records of the California Secretary of State;
 - e. Copies of directories from three trade shows showing petitioner's use of its mark;⁸
 - d. Respondent's answers to petitioner's interrogatories;

⁶ Issued July 18, 1995; cancelled. *See Action Temporary Services Inc. v. Labor Force Inc.*, 870 F.2d 1563, 10 USPQ2d 1307, 1309 (Fed. Cir. 1989) ("a cancelled registration does not provide constructive notice of anything"). Respondent also submitted a copy of this document under its notice of reliance.

⁷ Filed October 24, 2007.

⁸ Trade show directories are not printed publications in general circulation within the meaning of Trademark Rule 2.122(e). *See Life Zone Inc. v. Middleman Group Inc.*, 87 USPQ2d 1953, 1956-59 (TTAB 2008). Accordingly, we have given no consideration to the directories introduced through the notice of reliance.

- e. Respondent's answers to petitioner's requests for admission; and
 - f. Respondent's answers to petitioner's request for production of documents.⁹
2. Testimony deposition of Li Gong, the owner and President of petitioner, with attached exhibits;
 3. The rebuttal testimony deposition of Li Gong with attached exhibits;
 4. Notice of reliance on the following documents:
 - a. A copy of corporate status information for U.S.A. C-Mark Light & Audio, Inc., a company purportedly owned by respondent, from the records of the California Secretary of State; and
 - b. A copy of the "Business Information Inquiry for Shenzhen Baoyeheng Enterprise Development Co., Ltd., a company purportedly owned by respondent, from the Shenzhen Market Supervisory Administration Bureau's website with an affidavit of translation.

⁹ Documents obtained in response to a request for production of documents may not be produced by notice of reliance. 37 CFR §2.120(j)(3)(ii); TBMP §704.11 (3rd ed. 2011). Accordingly, such documents introduced into evidence by petitioner through a notice of reliance have not been considered. However, responses to a request for production of documents may be introduced into evidence through a notice of reliance to prove that no documents exist. See *L.C. Licensing Inc. v. Berman*, 86 USPQ2d 1883, 1886 n.5 (TTAB 2008); TBMP §704.11.

B. Respondent's Evidence.

1. Respondent submitted a notice of reliance on the following items:

- a. A copy of the application file for petitioner's application Serial No. 77312117 for the mark C-MARK which is "relevant to show that such application was filed by Petitioner and, among other things, was issued a Section 2(d) likelihood of confusion rejection based upon Registrant's challenged '760 Registration.";
- b. A series of official Chinese documents relating to the ownership of the mark C-MARK in China;
- c. Petitioner's responses to respondent's interrogatories; and
- d. Petitioner's responses to respondent's requests for admission.

2. Testimony deposition of Baoning Zhou, respondent, with attached exhibits.

C. Evidentiary objections.

Both parties filed numerous evidentiary objections. The Board is capable of weighing the relevance and strength or weakness of the objected-to testimony and evidence in cases litigated before us, including any inherent

limitations, and this precludes the need to strike the testimony and evidence. Given the circumstances herein, we choose not to make specific rulings on each and every objection. As necessary and appropriate, we will point out in this decision any limitations applied to the evidence or otherwise note evidence upon which we cannot rely.

Ultimately, while we have considered all the evidence and arguments of the parties, we do not rely on evidence not discussed herein.

D. The witnesses do not speak English as their first language.

Both witnesses who testified in this case, Gong Li and Baoning Zhou, are from China and neither speaks English as their first language. Because the depositions were conducted in Chinese and translated into English, the excerpts quoted in this decision are not in perfect English.

Standing

Petitioner manufactures and sells stereo speakers displaying the mark C-MARK.¹⁰ In addition, as indicated above, respondent introduced the file for petitioner's application Serial No. 77312117 for the mark C-MARK to show that the USPTO issued a Section 2(d) likelihood of confusion rejection based upon respondent's registration which is at issue in this proceeding. This is sufficient to demonstrate

¹⁰ Li Gong Testimony Dep., pp. 12-13 and 20.

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that petitioner has a real interest in this proceeding, and therefore has standing. *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).

Likelihood of Confusion

Likelihood of confusion is not in dispute. Respondent does not contest that the marks are likely to cause confusion. In its brief, it argued that the petition for cancellation should be dismissed because petitioner failed to prove priority. We find that there is a likelihood of confusion between the parties' identical marks used on legally-identical goods. Accordingly, we proceed to the issues of priority and abandonment.

Priority and Abandonment

In order for petitioner to prevail on its Section 2(d) claim, it must prove that it has a proprietary interest in the mark C-MARK used in connection with stereo equipment and that petitioner's interest was obtained prior to either the filing date of respondent's application for registration or respondent's date of first use. *Herbko International Inc. v. Kappa Books Inc.*, 308 F.3d 1156, 64 USPQ2d 1375, 1378 (Fed. Cir. 2002); *Otto Roth & Co., Inc. v. Universal Corp.*, 640 F.2d 1317, 209 USPQ 40, 43 (CCPA 1981); *Miller Brewing Co. v. Anheuser-Busch Inc.*, 27 USPQ2d 1711, 1714 (TTAB 1993).

Respondent filed its application for registration on September 25, 2006. It began using the mark in the United States just prior to filing the application.

Q. And this date that you put in the use of commerce, August, 2008 [sic]; correct?

A. That's correct.

Q. Now, at that date, and when you filed this application, were you selling products under the pro-audio equipment - - under the mark, C-Mark?

A. That's correct. As soon as it was approved, I think it was almost simultaneously at the same time.¹¹

Accordingly, for purposes of determining priority of use, we will use the filing date of respondent's application, September 25, 2006, because it is the most reliable date available.

Petitioner must prove it has a proprietary interest in C-MARK that predates September 25, 2006. However, this case differs from the typical case where the petitioner asserts abandonment as a ground for cancellation. In this case,

¹¹ Baoning Zhou Dep., p. 195. See also Zhou Dep., p. 66 (when asked to clarify when respondent started selling C-MARK stereo equipment in the United States, Mr. Zhou replied, "I believe it was after 2006 ... it was in 2006"). There is some contradictory testimony that respondent may have used the mark in the United States in 2005. See Zhou Dep., p. 60 and Exhibit 15 (a sales summary report) and p. 62 (a leading question by respondent's counsel). However, we do not find the evidence of respondent's use of C-MARK in the United States prior to the filing date of its application clear, convincing or specific and it is not supported by any corroborating documentary evidence.

respondent is asserting abandonment against petitioner which serves as a defense to petitioner's claim of prior use.

West Florida Seafood Inc. v. Jet Restaurants Inc., 31 F.3d 1122, 31 USPQ2d 1660, 1666 (Fed. Cir. 1994) ("The abandonment allegation is, in effect, in the stance of a defense to a prior use assertion).

A. Testimony and Evidence Regarding Petitioner's First Use and Continuous Use.

Li Gong, the owner and President of petitioner, testified on behalf of petitioner. A summary of Li Gong's testimony and other evidence regarding petitioner's first use and continuous use is set forth below:

1. Li Gong established C-Mark Light and Sound, Inc., a California corporation, in 1993. He was the owner and President of that company. C-Mark Light and Sound manufactured audio speakers displaying the mark C-MARK;¹²

2. Li Gong established petitioner in 1996. Petitioner manufactures audio speakers. Petitioner's audio speakers display the mark C-MARK;¹³

3. Li Gong closed C-Mark Light and Sound, Inc. and established petitioner "because of the internal management operating issues."¹⁴

¹² Li Gong Dep., pp. 12-13 and Exhibit 6.

¹³ Li Gong Dep., pp. 11-13, 17 and 20.

¹⁴ Li Gong Dep., p. 16.

4. C-Mark Light and Sound, Inc. first used the mark C-MARK on speakers in 1993.¹⁵

5. Petitioner began using the mark C-MARK on speakers when it began operations in 1996.¹⁶

6. Petitioner places the mark "[i]n the front and the back and inside of the speaker."¹⁷

7. Li Gong Deposition Exhibit 2 is a brochure dated 1997. C-MARK is prominently displayed on the cover. The brochure contains photographs of speakers displaying the mark C-MARK.

8. Li Gong Deposition Exhibit 4 is the January 15-18, 2004 NAMM Show directory. The 2004 NAMM trade show was held in Anaheim, California. In the brochure, C-MARK has a separate listing and is identified as an affiliate of petitioner who is also identified as an exhibitor.

9. Li Gong Deposition Exhibit 39 is a photograph of a banner petitioner displayed at the 2004 NAMM trade show that said, "C-Mark change to CSP in the world."¹⁸

Q. Now, you admitted that this banner was also shown the U.S. at the NAMM show, which is typically in Anaheim, California; correct?

A. Yes.

¹⁵ Li Gong Dep., p. 17.

¹⁶ Li Gong Dep., p. 21.

¹⁷ Li Gong Dep., p. 21.

¹⁸ Li Gong Dep., pp. 106-107. See also petitioner's responses to respondent's requests for admissions (No. 4). (Li Gong Dep. Exhibit 38).

Q. So it was shown in the U.S.?

A. Two different things.

I mentioned earlier, because Baoning Zhou booth was right next to us. Anyway - because Baoning Zhou needs to take pictures to China, stating whatever. That's why we put banner, for him. It was solely for the purpose to let them see it.¹⁹

Q. And you also state in your testimony that you told your U.S. customers and distributors that its as only meant for - - China.

A. Yes.

Q. Now, do you have any evidence of what you told your distributors in the U.S.? Did you write any letters to them? Did you - -

A. I have told all the customers how Chinese could copy and falsify products.²⁰

* * *

Q. Now, regarding this banner, NAMM 2004, you previously stated that this banner was meant for your customers in China to see; correct?

A. Yes.

Q. But you stated in your previous testimony that but you -- you told your U.S.A. customers that it was just for Chinese customers; correct?

¹⁹ This petition for cancellation is one battle in a worldwide trademark dispute between the parties. The record indicates that respondent owns the rights to C-MARK in China.

²⁰ Li gong Dep., p. 107.

A. Okay. Okay. This is 2004 NAMM show material. And our company is listed as C-Mark.

Q. Okay.

A. I didn't have to notify them that I changed it.

Also, my company here also put listed as Paul Audio, Inc. So in China, will tell the customer that China had changed to CSP. But in the United States, in the U.S. market, we still use C-Mark as the name of the company. We didn't change the company's name to CSP.²¹

* * *

Q. Now, other than at the NAMM show, would your customers outside of the NAMM show have reason to believe that you had changed C-Mark or have reason believe that you have made the statement C-Mark changed to CSP?

A. No, they don't know, because the name of my company is C-Mark.²²

9. Li Gong testified that petitioner has never stopped selling C-MARK audio speakers in the United States.²³

Q. From your understanding, from 2006 to 2008 you sold products with the C-Mark name on it.

A. Yes.²⁴

²¹ Li Gong Dep., pp. 109-110

²² Li Gong Dep., p. 138.

²³ Li Gong Dep., p. 43.

²⁴ Li Gong Dep., p. 131.

10. Li Gong Deposition Exhibits 11 - 28 are invoices. None of the invoices display the mark C-MARK. Nevertheless, Li Gong testified that Exhibits 11, 12, 18, 19, 21, 25, and 27-32 represented sales of C-MARK branded products.²⁵ According to his testimony, the invoices identify export products displaying the C-MARK brand. By looking at the customer address, he knew whether the product identified on the invoice displayed the mark C-MARK.²⁶ On cross-examination, Li Gong explained that not every export product displays the mark C-MARK; however, the products listed on the invoices introduced into evidence were export products bearing the mark C-MARK.²⁷ Although petitioner has invoices that display the mark C-Mark,²⁸ Li Gong provided an incomprehensible and unconvincing explanation regarding why petitioner did not produce any invoices displaying the mark C-MARK.²⁹

Q. I'm asking, can you show me anywhere on these invoices that you testified to, can you show me anywhere that it says C-Mark?

* * *

A. No.

Q. So you can't show me one invoice that has the mark C-Mark?

²⁵ Li Gong Dep., pp. 44-60.

²⁶ Li Gong Dep., pp. 60-62. Li Gong also testified that custom designed products display the mark C-MARK.

²⁷ Li Gong Dep., pp. 117-118.

²⁸ Li Gong Dep., pp. 124 and 131.

²⁹ Li Gong Dep., pp. 123-131.

A. Okay. I have to explain it.

Like here. Because it was computer generated, it's our system. For example, if we type this invoice today and it's issued as CSP, the invoice will indicate as CSP. If I have issued invoice on behalf of C-Mark, on that day it will show C-Mark.

This is our system design, automatic. Because C-Mark CSP and Paul Audio are all our name, our company as dba.

* * *

Q. Do you have any invoices from the year 2006 to 2008 that has the mark C-Mark on there?

A. Yes.

Q. Have you provided it to our office?

A. I will produce next time, but not this time.

* * *

Q. Mr. Gong, you are saying that you do have invoices that have the - - the trademark C-Mark on there?

A. We have a lot. But I have to think about it, whether I'm going to produce it or how many, because I know there are some issues. I have to think about it.

Q. What do you have to think about?

A. Because I have to say of all the documents, I didn't produce them. It was produced by our secretary. If I knew this document may have possibility to be passed on to Baoning Zhou, there are so many

information, address and phone
number.³⁰

* * *

Q. Mr. Gong, this case is about the C-Mark trademark; correct?

A. Yes.

Q. Correct. And we've asked for evidence for invoices showing that you sell the C-Mark product.

A. I believe I could only produce two or three. I didn't have to produce every one of them. I think one is good enough.³¹

* * *

Q. Mr. Gong, don't you think it's odd that this case about the C-Mark trademark, and all the documents that you produced to show that you're using the C-Mark name, all say "CSP"? Not one document here of all your invoices even show the C-Mark name.

A. Okay. I have explained that already. This was automatic generated. This is our computer design.³²

* * *

Q. So you are saying you have a computer system; correct? That automatically prints "CSP"?

A. Yes. Including C-Mark too - - automatic.

³⁰ Li Gong Dep., pp. 123-125.

³¹ Li Gong Dep., p. 128.

³² Li Gong Dep., p 129.

Q. Could you explain, when does it automatically print CSP and when does it automatically print C-Mark?

A. For example, if you're buying C-Mark product today, we will change that into C-Mark. and that's when the invoices were printed, it will show C-Mark.

But if you're buying CSP today, and it will change to CSP. We used one system. And I design the system.

Q. I understand.

But then my question, again, is how come your didn't produce any invoices showing C-Mark then, if it's an automatic system that you created?

A. Just like I mentioned, why do I have to produce all of the invoices? I have to check with my employee.

Q. Mr. Gong, I -- we are not asking for you to produce all of it. But you haven't even produced one invoice that has C-Mark. Could you explain why not one invoice has the mark C-Mark?

A. Are you referring to if we didn't have C-Mark on those invoices, that does - - does not mean that we didn't sell any C-Mark products?

Q. I'm asking you the question, Mr. Gong.

A. And I told you I'm going to check. I need to go back and check on my - - my secretary, and that's her mistake.³³

³³ Li Gong Dep., pp. 130-131.

B. Analysis

Li Gong testified that petitioner began using C-Mark in 1996. Li Gong's testimony regarding petitioner's priority was corroborated by the 1997 brochure (Li Gong Dep. Exhibit 2) and the 2004 NAMM Show directory (Li Gong Dep. Exhibit 4). Although we find that petitioner has priority, that finding of fact does not end the inquiry.

With respect to petitioner's continuous use of C-MARK, petitioner relied on Li Gong's testimony. The only evidence corroborating Li Gong's testimony regarding the continuous use were the 1997 advertising brochure (Li Gong Dep., Exhibit 2), the 2004 NAMM Show directory and the sales invoices (Li Gong Dep., Exhibits 11-32). As recounted above, Li Gong's testimony regarding the invoices was incomprehensible and unconvincing. In fact, it was so lacking in credulity as to throw into question Li Gong's testimony regarding petitioner's continuous use of C-MARK subsequent to the 2004 NAMM Show. According to the record, the last credible evidence regarding petitioner's use of C-MARK was the 2004 NAMM trade show. *See Cerveceria Centroamericana v. Cerveceria India*, 892 F.2d 1021, 13 USPQ2d 1307, 1312 (Fed. Cir. 1989) (the testimony of the witness regarding use was afforded little weight because it was "to say the least, vague."); *Cerveceria Modelo S.A. de C.V. v. R.B. Marco & Sons*, 55 USPQ2d 1298, 1303 (TTAB 2000)

("where the record contains suspicious documents, and where answers given under oath seem disingenuous and are intentionally vague or unclear, we must necessarily draw inferences adverse to respondent.").

In his rebuttal testimony deposition, Li Gong introduced a "cease and desist" letter dated February 13, 2006 from respondent's prior counsel as evidence that petitioner was using C-MARK as of the date of the letter.³⁴ However, the letter accused petitioner of making "false representations and defamatory statements on [petitioner's] website (www.c-mark.com) about [respondent]" (e.g., "C-Mark (China) was misappropriated by unlawful businessmen" and "All of the American C-Mark products sold in Chinese market today are counterfeits with poor quality"). There is no acknowledgement on the part of respondent that as of February 13, 2006, petitioner was using C-MARK to identify petitioner's products.

Section 45 of the Trademark Act of 1946, 15 U.S.C. §1127, provides that a mark has been abandoned under the following circumstances:

- (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of

³⁴ Li Gong Rebuttal Dep., pp. 37-39 and Exhibit 9.

trade, and not made merely to reserve a right in a mark.

There are two elements to an abandonment claim that the party asserting abandonment must prove: non-use of the mark and an intent not to resume use. The party claiming that its adversary's mark has been abandoned bears the burden of proving a *prima facie* case. Cf. *Quality Candy Shoppes/Buddy Squirrel of Wisconsin Inc. v. Grande Foods*, 90 USPQ2d 1389, 1393 (TTAB 2007) citing *On-Line Careline Inc. v. America Online Inc.*, 229 F.3d 1080, 56 USPQ2d 1471, 1476 (Fed. Cir. 2000). If the party asserting abandonment can show three consecutive years of nonuse, it has established a *prima facie* showing of abandonment, creating a rebuttable presumption that the defending party has abandoned the mark without intent to resume use. The burden of production (*i.e.*, going forward) then shifts to the defending party to produce evidence that it has either used the mark or that it intends to resume use. The burden of persuasion remains with the party asserting abandonment to prove abandonment by a preponderance of the evidence. See *On-line Careline Inc. v. America Online Inc.*, 229 F.3d 1080, 56 USPQ2d at 1476; *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 13 USPQ2d at 1310.

The threshold inquiry in this case is whether petitioner has discontinued use of C-MARK in connection with stereo equipment for a period in excess of three years. If

so, the burden shifts to petitioner to show that it has an intention to resume use of the mark. Only when a *prima facie* showing of abandonment has been made does the burden of proof shift to the party contesting the abandonment, who must then rebut the inference of abandonment by making a convincing demonstration of "excusable non-use" that would negate any intent not to resume use of the mark. *J.G. Hook, Inc. v. David H. Smith, Inc.*, 214 USPQ 662, 665 (TTAB 1982) citing *Burroughs Wellcome Co. v. Warner-Lambert Co.*, 203 USPQ 191 (TTAB 1979), and cases cited therein.

As indicated above, the last documented use of the mark C-MARK by petitioner was at the 2004 NAMM Show. Based on record before us, there is more than three years of nonuse and no evidence by petitioner of an intent to resume use. Accordingly, on the record before us, petitioner has abandoned its mark. In view thereof, petitioner's claim of priority fails because it is based on a mark that has been abandoned.

Whether the respondent's registration "is void *ab initio* because Respondent was not the owner of the mark at the time the application was filed"?

We next consider petitioner's claim that respondent's registration is void *ab initio* because respondent was not the owner of the mark at the time the application was filed.

A. Testimony and Evidence Regarding Respondent's Use of the mark C-MARK.

Baoning Zhou testified on behalf of himself as respondent.

1. Baoning Zhou is the Chairman of the Board of Shenzhen Bao Ye Heng Industrial Development Company Limited.³⁵ Baoning Zhou testified that he is the owner of Shenzhen Bao Ye Heng Industrial Development Company Limited.³⁶

2. From 1994 to 1998, prior to when Baoning Zhou started working at Shenzhen Bao Ye Heng Industrial development Company Limited, Baoning Zhou was the General Manager of Shenzhen Ao Chuang Company.³⁷

3. When Baoning Zhou worked at Shenzhen Ao Chuang Company, that company distributed C-MARK branded products for Shenzhen World Music.³⁸ On cross-examination, petitioner elicited the following testimony:

Q. If you have never owned the China Trademark Registration personally, you, Baoning Zhou, then how could you say [in the U.S. Trademark Application] that you have some right to it in 1993?

A. It's like this. I, in 1993, was already working as a distributor for selling this product, and this

³⁵ Baoning Zhou Dep., p. 11.

³⁶ Baoning Zhou Dep., p. 32.

³⁷ Baoning Zhou Dep., pp. 12 and 94.

³⁸ Baoning Zhou Dep., pp. 18, 101 and 112. Gong Li testified that he was the General Manager and owner of Shenzhen World Music from 1991 through 1996 or 1997. The General Manager position is similar to the president of the company. (Gong Li Dep., pp. 83 and 86). Also, Gong Li testified that he created C-Mark in 1989 (Gong Li Dep., 87).

product was C-Mark product. So at that time, it was already used.

Q. So you're saying this use here does not represent your use of it?

A. So I should say that the products that I was distributing, the products that I possessed - that I had possession of, carried in this trademark, C-Mark trademark.

Q. Were those products that you made your products?

A. That was the products that I was - - that I was distributing.

* * *

Q. Were they Baoning Zhou products? ...

A. Yes.

Q. Didn't you say you worked for Ao Chuang at that time?

A. That's correct.

Q. So if you worked for - - although you weren't working for yourself; right - - I'm sorry.

A. I was - - that's correct. However, I was also a shareholder, and I also used money to purchase this product. And if I purchased products, then it's your product.

Q. So it is your testimony now that you used it because you're a distributor for Ao Chuang. And you purchased this in 1993; is that correct?

A. That's correct.

Q. But you previously testified that you didn't start working at Ao Chuang until 1994 and that, prior to 1994, you worked at a performing

arts company as a sound person;
isn't that true?

A. That's correct.³⁹

4. As a result of legal dispute between Shenzhen World Music and Shenzhen Hongda Development Company, on August 17, 1998, Shenzhen World Music assigned the ownership of the Chinese registration for C-MARK to Shenzhen Hongda Development Company.⁴⁰

5. In or around August 28, 2000, Shenzhen Hongda Development Company assigned the ownership of the Chinese registration for C-MARK to Shenzhen Bao Ye Heng Industrial Development Company Limited.⁴¹

6. Baoning Zhou Deposition Exhibit 9 is a document verifying the assignment of the Chinese trademark registration to Shenzhen Bao Ye Heng Industrial Development Company Limited. On cross-examination, petitioner elicited the following testimony:

Q. You have previously provided us, or you have previously attempted to put into evidence, documents which purportedly show an assignment of the Chinese C-Mark trademark from World Music to Hongda, and from Hongda to Bao Ye.

Has Bao Ye ever assigned the rights and the Chinese trademark to you, personally, Baoning Zhou?

³⁹ Baoning Zhou Dep., pp. 190-192.

⁴⁰ Baoning Zhou Dep., pp. 20-29 and Exhibits 3 - 6

⁴¹ Baoning Zhou Dep., pp. 29 -31 and Exhibits 7 and 9.

A. No.⁴²

7. Shenzhen Bao Ye Heng Industrial Development Company Limited "officially became the owner" of the Chinese registration for C-MARK on August 28, 2000 and since that date the company has continuously sold audio equipment bearing the mark C-MARK in China.⁴³

8. At the time respondent filed the application for the registration at issue in this proceeding, respondent believed that he was the owner of the mark in the United States.

Q. And could you explain why you believed that you were the only person whom had ownership rights to the C-Mark, including the United States?

A. Because we discovered the C-Mark trademark on the internet. And, also, we had always been selling products carrying the C-Mark trademark.

Q. When you say "always," are you referring to your use of the C-Mark in China by your entity, Shenzhen Bao Ye Heng Industrial Development Company Limited?

A. Yes, we have always been selling?

Q. So based on your ownership rights and use in China, you believed you were the sole owner of the C-Mark in the United States; correct?

A. Because before anybody else - - before there were any other owners,

⁴² Baoning Zhou Dep. 187.

⁴³ Baoning Zhou Dep., pp. 34-36.

we were the world - - in the world,
in the entire world, who owned this
particular trademark.⁴⁴

9. Baoning Zhou Deposition Exhibit 11 consists of two bills of lading for C-MARK products sold by Shenzhen Bao Ye Heng Industrial Development Company Limited to companies in the United States in 2007.

10. Shenzhen Bao Ye Heng Industrial Development Company Limited established U.S.A. C-Mark Light and Audio, Inc. in the United States to sell C-MARK products in the United States.⁴⁵ The date that U.S.A. C-Mark Light and Audio, Inc. was set-up was not identified. U.S.A. C-Mark Light and Audio, Inc. was a wholly-owned subsidiary of Shenzhen Bao Ye Heng Industrial Development Company Limited.⁴⁶

11. Baoning Zhou Exhibit 13 is excerpts from respondent's catalogs [undated]. The catalogs identify the source of the C-MARK products as U.S.A. C-Mark Light & Audio, Inc. and Shenzhen Bao Ye Heng Industrial Development Company Limited.

12. Baoning Zhou Exhibit 14 is excerpts from respondent's website displaying photographs from NAMM trade shows. Document No. C-MARK-00072 identifies Shenzhen Bao Ye

⁴⁴ Baoning Zhou Dep., pp. 38-39.

⁴⁵ Baoning Zhou Dep., pp. 51-52, 147.

⁴⁶ Baoning Zhou Dep., pp. 147-148 and 175.

Heng Industrial Development Company Limited as the source.

13. Zhou Baoning Exhibit 18 are excerpts from respondent's owner's manuals. Document No. CMARK-00216 displays the following statement:

"**C-MARK**" is a registered trademark of Shenzhen Bao Ye Heng Industrial Development Company Limited.

14. At a trade show in Beijing in 2002, Baoning saw petitioner's exhibition booth displaying C-MARK speakers.⁴⁷ Baoning Zhou Deposition Exhibit 20 is a verified statement by respondent memorializing petitioner's purported infringement of respondent's C-MARK made before a notary in Beijing. In the document, respondent stated that Paul Audio, Inc. "infringed the rights of Shenzhen Bao Ye Heng Industrial Development Company Limited." The document is dated May 23, 2002.

15. When asked on cross-examination whether respondent licensed the use of C-Mark to Shenzhen Bao Ye Heng Industrial Development Company Limited, respondent testified that "I am the shareholder to begin with. So the trademark was owned by me, is owned by me, so I have the full right of giving the usage right to the company."⁴⁸ Baoning Zhou further testified as follows:

... I actually own this trademark, and I, as the Chairman of the Board of this Company, and I am actually the

⁴⁷ Baoning Zhou Dep., pp. 71-72

⁴⁸ Baoning Zhou Dep., p. 180.

shareholder of this company - so of course, by all reasons, that Shenzhen Bao Ye Heng Industrial Development Company Limited will be the company who will manufacture and sell this product.⁴⁹

B. Analysis.

Section 1 of the Trademark Act of 1946, 15 U.S.C.

§1051, provides as follows (emphases added):

The owner of a trademark used in commerce may request registration of its trademark on the principal register by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement ...

Accordingly, only the owner of the mark may file an application. *Great Seats Ltd. v. Great Seats Inc.*, 84 USPQ2d 1235, 1239 (TTAB 2007). "It is fundamental that ownership of a mark is acquired by use, not by registration." *Holiday Inn v. Holiday Inns, Inc.*, 534 F.2d 312, 189 USPQ 630, 635 n.6 (CCPA 1976). *See also Huang v. Tzu Wei Chen Food*, 849 F.2d 1458, 7 USPQ2d 1335, 1336 (Fed. Cir. 1988) (application filed in the name of an individual affiliated with a corporation and not in the name of the corporation, which was at the time the application was filed, the owner of the mark is void); *American Forests v. Sanders*, 54 USPQ2d 1860 (TTAB 1999) (intent-to-use application filed by individual void where the actual entity possessing the bona fide intention to use the mark was a

⁴⁹ Baoning Zhou Dep., p. 185.

partnership comprised of the individual and her husband); *In re Tong Yang Cement Corp.*, 19 USPQ2d 1689, 1690 (TTAB 1991) (application filed by corporation void where owner of mark was joint venture of which applicant corporation was member). Thus, the issue before us is whether Baoning Zhou who filed the application is the owner of the mark rather than Shenzhen Bao Ye Heng Industrial Development Company Limited, the entity that used the mark when the application for Registration No. 3252760 was filed. For the reasons discussed below, we find that respondent was not the owner of the mark; we find, rather, that the owner of the mark as of the application filing date was the actual user of the mark, Shenzhen Bao Ye Heng Industrial Development Company Limited.

As of the September 25, 2006 filing date of the application for Registration No. 3252760, Baoning Zhou himself was not using and had not used the mark sought to be registered. All use of the mark prior to and as of the filing date was by Shenzhen Bao Ye Heng Industrial Development Company Limited both in the United States and in China. Therefore, there was no use of the mark by Baoning Zhou upon which he can rely as a basis for establishing that he was the owner of the mark and thus that he was entitled to file the application for registration of the mark.

Respondent argues, however, that "Baoning Zhou is a majority shareholder of his company Shenzhen Bao"⁵⁰ and that Baoning Zhou "actively participates in the control of the nature and quality of the C-mark goods in the United States."⁵¹ In other words, respondent is the owner of the mark because he is the majority shareholder and he is actively involved in quality control. Similar arguments were rejected in *Huang v. Tzu Wei Chen Food*, 7 USPQ2d at 1336 and *American Forests v. Sanders*, 54 USPQ2d at 1862. In *Huang*, the application was filed in the name of an individual affiliated with the corporation and not in the name of the corporation itself. The court held that the application was void *ab initio* because the owner of the mark was the corporation, not the individual named in the application. 7 USPQ at 1336. Applying a similar analysis in *American Forests*, the Board held "if it is a corporation or partnership which has the bona fide intention to use a

⁵⁰ Respondent's Brief, p. 19. Respondent cited Li Gong Rebuttal Deposition Exhibit 13 to support his contention that respondent is the majority shareholder. Despite respondent's reliance on Exhibit 13, respondent objected to that exhibit, and renewed the objection in his brief, on the ground that Li Gong is not competent to testify regarding the source of the exhibit and that the exhibit is hearsay. Regardless of its admissibility, the exhibit is not probative of the ownership of Shenzhen Bao Ye Heng Industrial Development Company Limited as of the filing date of the application. As best we can tell, Exhibit 13 provides the ownership of Shenzhen Bao Ye Heng Industrial Development Company Limited as of December 31, 2010, the date it was printed. Nevertheless, we will take respondent's statement in his brief that he is the majority shareholder of Shenzhen Bao Ye Heng Industrial Development Company Limited at face value.

⁵¹ *Id.*

particular mark, and yet the intent-to-use application is filed in the name of an individual, the said application will be deemed to be void ab initio." 54 USPQ2d at 1862. In this case, we find that because Baoning Zhou and Shenzhen Bao Ye Heng Industrial Development Company Limited are distinctly different entities, Baoning Zhou had never used the mark in his capacity as an individual, and the mark had always been used by Shenzhen Bao Ye Heng Industrial Development Company Limited, the company is the owner of the mark. In this regard, we note that Shenzhen Bao Ye Heng Industrial Development Company Limited is the owner of the Chinese Registration No. 752764 for the C-MARK trademark.⁵²

To the extent that respondent may be arguing that his ownership of Shenzhen Bao Ye Heng Industrial Development Company Limited is so complete that Shenzhen Bao Ye Heng Industrial Development Company Limited is the alter ego of Baoning Zhou (*i.e.*, the two are one-and-the same), there is insufficient evidence to support that argument. Moreover, the fact that respondent may be the majority shareholder of Shenzhen Bao Ye Heng Industrial Development Company Limited does not prove that respondent and the company constitute a single entity such that respondent may claim ownership of the mark through the company's use of the mark. With

⁵² Baoning Zhou Dep. Exhibit 9.

respect to respondent's claim that he actively participates in the control of the nature and quality of the goods is insufficient in and of itself to demonstrate that he is the owner of the mark, and moreover his statements regarding control is conclusory and unsupported by any facts or evidence.

The facts before us are similar to the facts in *Smith v. Coahoma Chemical Co. Inc.*, 264 F.2d 916, 121 USPQ 215 (CCPA 1959). The following facts were developed in *Smith*:

1. Smith was the president and principal stockholder of a North Carolina corporation that used the mark at issue;

2. Smith filed the application to register the mark at issue which was granted on the basis of the ownership and use by Smith as an individual and not on use by the corporation;

3. The record failed to show any use of the mark by Smith; and

4. Smith asserted that the corporation was a related company based on his status as the principal and controlling shareholder.

The court found that the Smith failed to present evidence sufficient to establish the extent of his holding in the corporation and that Smith failed to establish that his ownership of the corporation was so complete that he and the corporation equitably constituted a single entity.

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Smith v. Coahoma Chemical Co. Inc., 121 USPQ at 218.

Accordingly, the court affirmed the Commissioner's holding that "[s]ince Smith never used the 'Black Panther' marks as an individual, his registration ..., which is based on an allegation of such use, is invalid and should be cancelled."

Smith v. Coahoma Chemical Co. Inc., 121 USPQ at 217.

Accordingly, the mere fact that an individual, such as Baoning Zhou, is a controlling shareholder and officer in a corporation does not necessarily establish that individual's rights in a mark where the only use of the mark is by the corporation. *See also Intermed Communications, Inc. v. Chaney*, 197 USPQ 501 (TTAB 1977) (application was void because there was no use of the mark by the applicant in his capacity as an individual; all the activity was conducted by the applicant as an officer of the foundation); *Monorail Car Wash, Inc. v. McCoy*, 178 USPQ 434, 437 (TTAB 1973) ("It is an accepted principle that the fact that an individual is the controlling stockholder and principal officer of a corporation is not, in and of itself, sufficient to establish ownership in a mark which only a corporation has used.").

Respondent's argument that Shenzhen Bao Ye Heng Industrial Development Company Limited should be considered a related company under Section 5 of the Trademark Act, 15

U.S.C. §1055,⁵³ is not well taken because, as indicated above, the evidence of record is not sufficient to show that respondent is the owner of the mark with an interest in the mark that he could license to another.

For the preceding reasons, we find that Shenzhen Bao Ye Heng Industrial Development Company Limited, not Baoning Zhou, was the owner of the mark C-MARK at the time the application for Registration No. 325760 was filed. The application filed by Baoning Zhou is, therefore, void *ab initio*.

Fraud

"Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application." *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). See also *In re Bose Corp.*, 580 F.3d 1240, 91 USPQ2d 1938, 1939 (Fed. Cir. 2009). A trademark is obtained fraudulently under the Trademark Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO. *In re Bose Corp.*, 91 USPQ2d at 1941. Thus, absent intent to mislead the PTO, even a material misrepresentation would not qualify as fraud under the Lanham Act warranting cancellation. *In re Bose Corp.*, 91 USPQ2d at 1940.

⁵³ Respondent's Brief, p. 21.

Subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the analysis. Of course, "because direct evidence of deceptive intent is rarely available, such intent can be inferred from indirect and circumstantial evidence. But such evidence must still be clear and convincing, and inferences drawn from lesser evidence cannot satisfy the deceptive intent requirement."

In re Bose Corp., 91 USPQ2d at 1941, quoting *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 88 USPQ2d 1001, 1007 (Fed. Cir. 2008). When drawing an inference of intent, "the involved conduct, viewed in light of all the evidence ... must indicate sufficient culpability to require a finding of intent to deceive." *In re Bose Corp.*, 91 USPQ2d at 1941, quoting *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 9 USPQ2d 1384, 1392 (Fed. Cir. 1988).

Despite the holding by the Federal Circuit that intent to deceive is an indispensable element of fraud, petitioner incorrectly argued that "fraud occurs when applicant or respondent makes a false material representation that applicant or respondent knew of should have known was false."⁵⁴ In *Bose*, the Federal Circuit expressly rejected the "knew of should have known" standard.

By equating "should have known" of the falsity with a subjective intent, the

⁵⁴ Petitioner's Brief, p. 40.

Board erroneously lowered the fraud standard to a simple negligence standard. ...

We have previously stated that "[m]ere negligence is not sufficient to infer fraud or dishonesty." ... We even held that "a finding that particular conduct amounts to 'gross negligence' does not of itself justify an inference of intent to deceive." ... The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases. After all, an allegation of fraud in a trademark case, as in any other case, should not be taken lightly. ... Thus, we hold that a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO.

In re Bose Corp., 91 USPQ2d at 1940 (internal citations omitted). Thus, it is not surprising that petitioner has not pointed to any evidence or any set of facts, and we have not found any, demonstrating that respondent knowingly made false material representations with the intent to deceive the PTO. The record as recounted in part above is replete with instances where respondent made misrepresentations occasioned by his misunderstanding of the law or through inadvertence, not with a willful intent to deceive. For example, petitioner alleged that respondent committed fraud on the PTO because respondent had not used C-MARK on all the goods listed in his description when he filed his

application. However, respondent testified that it was his understanding that he was selling goods in that market.

Q. In looking at [Registration No. 352760], I see that you listed a lot of different goods, or products; correct?

A. That's correct.

Q. Why did you choose to make a list like this?

A. Because these were the products that - - to different degrees that market would have been in for.

Q. And with this list of goods, did you sell goods under the C-Mark brand that included these products listed here? ... In the United States?

A. Yes.

Q. But you testified that you had put some these goods, also, as examples of goods that fall under the pro-audio equipment; is that correct?

A. That's correct.

Q. But at the time of filing this application, you were selling goods under the pro-audio class of goods with the mark, C-Mark; correct?

A. That's correct.⁵⁵

* * *

Q. Upon the date of filing that registration for C-Mark in the United States to the present date, have you continuously sold products under the brand C-Mark under pro-audio equipment?

⁵⁵ Baoning Zhou Dep., pp. 40-41.

A. Yes.⁵⁶

Because petitioner has not pointed to any evidence supporting an inference of deceptive intent, it has failed to satisfy the clear and convincing standard required to establish fraud.

In view of the foregoing, petitioner's fraud claim is dismissed.

Decision: The petition for cancellation is dismissed with respect to the grounds of priority of use and likelihood of confusion based on petitioner's abandonment of its trademark, and fraud.

The petition for cancellation is granted with respect to the ground that the application for registration filed by respondent is void *ab initio* and, therefore, Registration No. 3252760 will be cancelled in due course.

⁵⁶ Baoning Zhou Dep., p. 42.