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Recent Development

RECENT DEVELOPMENTS IN TRADEMARK LAW

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## \*370 I. Introduction

This article summarizes selected cases from The United States Patent Quarterly from December 1997 through February 1998. Of particular interest are the series of cases concerning personal jurisdiction over a party based on their Internet activities. As the use of the Internet for business purposes grows, intellectual property attorneys can expect an increasing number of contests over this issue. Other cases summarized in this article concern more traditional trademark issues, such as the right to use an abandoned mark or changes in prosecution practice.

## II. Trademark Infringement

### A. Protection of Geometric Shapes: *Guess?, Inc. v. Tres Hermanos*<sup>1</sup>

The plaintiff is a manufacturer of denim jeans and other apparel which it markets under the registered term “GUESS?”, which is inscribed within an inverted white triangle with a red border.<sup>2</sup> The plaintiff also uses the registered symbol “?” inscribed within the same red-edged inverted triangle.<sup>3</sup> The inverted triangle logo is used at the top center of the rear right jeans pocket on the plaintiff’s products.<sup>4</sup>

The defendants sell jeans under the “YIELD” mark, which is also inscribed within an inverted white triangle with red edging.<sup>5</sup> Additionally, the defendants’ location of the logo is at the top center of the rear right pocket of the jeans.<sup>6</sup>

The plaintiff brought suit for trademark infringement, seeking a preliminary injunction in addition to other relief.<sup>7</sup> The court granted the plaintiff’s motion for a preliminary injunction.<sup>8</sup> In determining the level of similarity of the marks, the court noted that related goods are more likely to cause confusion than unrelated goods, and therefore, a diminished standard for similarity of marks is applied when comparing marks of closely related goods.<sup>9</sup>

\*371 The defendants argued that their products were different from the plaintiff’s because their products are cut to fit Mexican Americans and are made in shades of red, brown, and green, in addition to indigo.<sup>10</sup> The court was not persuaded.<sup>11</sup> First, the court held that different shades of color did not alter the fact that the ultimate products were still jeans and, hence, similar goods.<sup>12</sup> As to the defendants’ second argument, the defendants provided no evidence to support their assertion that Mexican Americans required uniquely fitting or specially cut jeans.<sup>13</sup> Consequently, the court concluded that applying a reduced standard for similarity of the marks was appropriate for this case.<sup>14</sup>

In contesting likelihood of confusion, the defendants contended that there would be no likelihood of confusion because the distinctiveness of the plaintiff’s logo stems from the word and question mark symbol located within the inverted triangle, and not from the overall inverted triangle shape, edging, and placement on the product.<sup>15</sup> The defendants further contended that the use of a simple geometric shape such as a triangle is afforded very little protection.<sup>16</sup>

The court disagreed. Although geometric shapes are generally afforded little protection when examined alone, the determination of similarity must be based upon the marks and their names in their entirety as they appear in the marketplace.<sup>17</sup> In this case, the defendants’ mark is similar to the plaintiff’s logo in that it employs an inverted red-edged triangle around an inscribed word on jeans in the same location where the plaintiff places its mark.<sup>18</sup> The only difference between the defendants’ logo and the plaintiff’s logo is that the defendants’ logo lacks a question mark symbol and substitutes the word “yield” for the word “guess.”<sup>19</sup>

The defendants next argued that their mark was a very realistic impression of a yield sign because of its inverted triangle shape and red border.<sup>20</sup> However, this contention was disputed by the court, who took judicial notice that the visual aspect \*372 of a yield sign includes a thick red inner border that takes up at least one-third to one-half of the area inside the triangle and is edged by a thin white border.<sup>21</sup>

Finally, the defendants asserted that their use of an inverted-red-edged triangle did not infringe because the plaintiff failed to obtain a registration for the inverted white triangle with red edging on the Patent and Trademark Office's (PTO) Principal Register.<sup>22</sup> The court stated that the PTO's denial of registration of the red-edged triangle permitted others to use the red-edged inverted triangles as logos.<sup>23</sup> However, in the court's view, this did not permit the defendants to use the same shape mark in the same location on a similar product without infringement.<sup>24</sup> Accordingly, when taken as a whole, the inverted triangle logo on defendants' jeans was sufficiently similar to cause confusion.<sup>25</sup>

#### **B. Distinctive Structures as Trademarks: *Rock & Roll Hall of Fame & Museum, Inc. v. Gentile Productions***<sup>26</sup>

In this case, the appellate court vacated and remanded a preliminary injunction granted against the defendant by the United States District Court for the Northern District of Ohio.<sup>27</sup> The plaintiff, the Rock and Roll Hall of Fame Foundation, owns the federal registration of the phrase "THE ROCK AND ROLL HALL OF FAME" as a service mark.<sup>28</sup> In addition, the plaintiff commissioned a well-known architect, I. M. Pei, to design and construct a unique museum to house and display its collection of rock and roll memorabilia.<sup>29</sup>

The defendant is a professional photographer who sells a poster bearing a photograph of the museum against a colorful sunset as a background.<sup>30</sup> The poster contains lettering in a border beneath the photograph, which consists of the words "Rock N' Roll Hall of Fame."<sup>31</sup>

\*373 The court overturned the preliminary injunction, finding that the district court did not properly consider the validity of the plaintiff's claim to trademark rights in its building design.<sup>32</sup> First, although the court conceded that the building design was fanciful,<sup>33</sup> it found that there was absolutely no evidence in the record to document or demonstrate that the public had come to recognize the building design as a trademark.<sup>34</sup>

Second, the court was not persuaded that a picture of the building design was fanciful in a trademark sense.<sup>35</sup> Specifically, the court stated that fanciful marks are usually understood as "totally new and unique combinations of letters or symbols" that are created or "selected for the sole purpose of functioning as a trademark."<sup>36</sup> Unlike the case where the word is distinctive as a mark because it has no other purpose, the court here felt that a picture of the museum on a product might be more readily perceived as ornamentation than as an identifier of the source.<sup>37</sup>

The court recognized that a design could serve both ornamental and trademark purposes, but concluded that such was not the case here.<sup>38</sup> The court noted that the plaintiff had used numerous versions of the building shape on a wide variety of products.<sup>39</sup> No particular rendition of the building had been used as a mark with any consistency.<sup>40</sup> The court found that this case was analogous to situations where a party had claimed trademark rights in the likenesses of famous persons.<sup>41</sup> Relying on the rule in those cases, the court concluded that although one particular image may have been used consistently as a trademark, that fact did not support the proposition that all images of the person also served as trademarks.<sup>42</sup> In reviewing the plaintiff's use of different perspectives of the building design, the court could not conclude that it had created a consistent and distinct commercial impression.<sup>43</sup> Specifically, the court stated:

\*374 Even if we accept that consumers recognize the various drawings and pictures of the [plaintiff's] building design as being drawings and pictures of the Museum, the [plaintiff's] arguments would still fall short. Such recognition is not the equivalent of the recognition that these *various* drawings or sources indicate a *single* source of the goods on which they appear. Consistent and repetitive use of a designation as an indicator of source is the hallmark of a trademark.<sup>44</sup>

Because the court did not find that the plaintiff was likely to succeed against the defendant based on its claim to trademark rights in the building design, neither could it succeed on the basis that the defendant had infringed its rights on the use of the words "ROCK N' ROLL HALL OF FAME."<sup>45</sup> The court reasoned that if the defendant is free to use his photograph of the plaintiff's building, then the words "ROCK N' ROLL HALL OF FAME" are nothing more than a description of the building itself, and are thus a fair use of the plaintiff's registered service mark pursuant to 15 U.S.C. § 1115(b)(4).<sup>46</sup>

The dissent in this case argued that there is no legal distinction under the Lanham Act between two-dimensional and three-dimensional trademarks.<sup>47</sup> The fact that the impressions of the building differ from product to product is not inconsistent with the mark's registration.

#### **C. Sales of Excess or Rejected Goods: *Minnesota Mining & Manufacturing Co. v. Rauh Rubber, Inc.***<sup>48</sup>

Minnesota Mining & Manufacturing Co. (3M) manufactures a reflective material at a facility in Brownwood, Texas.<sup>49</sup> The reflective material is manufactured in large rolls and then tested as part of a quality control process.<sup>50</sup> Excess or defective reflective material is normally sold or discarded.<sup>51</sup> In 1993, 3M began selling this excess or defective material to the defendant, Rauh Rubber, Inc. (Rauh Rubber).<sup>52</sup> Later, 3M learned that Rauh Rubber was reselling this material to 3M's customers at lower prices than 3M was offering for the same, albeit genuine, \*375 reflective material.<sup>53</sup> 3M brought suit against Rauh Rubber for, *inter alia*, trademark infringement in violation of the Lanham Act.<sup>54</sup> The district court granted a preliminary injunction against Rauh Rubber which required Rauh Rubber to place a written disclosure statement on any documents accompanying a sale, an offer to sell, or an offer to deliver the reflective materials.<sup>55</sup> The disclosure statement provided notice that the product may not be first-quality goods and was purchased as rejected or excess material from 3M.<sup>56</sup> The disclosure also cautioned the prospective buyer to do its own inspection or testing to determine the suitability of the material and informed the buyer that 3M did not guarantee the product.<sup>57</sup>

On appeal, the Eighth Circuit found that the disclosure required by the preliminary injunction was sufficient to prevent a likelihood of confusion.<sup>58</sup> The court noted that although the strength of 3M's trademark was uncontested, a prospective purchaser, exercising even a minimal degree of care by reading the disclosure on the sales document, would realize that he might be buying scrap.<sup>59</sup> 3M argued that the injunction would be effective only if the disclosure language were included on every piece of scrap material sold by the defendant.<sup>60</sup> However, in view of the weak evidence of actual confusion, the court affirmed the district court's holding that the injunction requiring the disclosure statement was sufficient.<sup>61</sup>

#### **D. Use of Abandoned Trademark: *Rust Environment & Infrastructure, Inc. v. Teunissen***<sup>62</sup>

Rust Environment & Infrastructure, Inc. (Rust) is an environmental and engineering consulting firm providing services throughout the country.<sup>63</sup> Rust had been formerly known as Donahue & Associates (Donahue) after that company had been acquired by another predecessor company, WNX Technologies, Inc. (WNX).<sup>64</sup> \*376 When WNX acquired Donahue, it acquired all of Donahue's assets in a stock purchase from its employee shareholders, one of whom was the defendant, Teunissen.<sup>65</sup> In 1992, WNX merged Donahue with another environmental consulting firm to form SEC Donahue, Inc., and in March 1993, it changed its name to Rust Environment & Infrastructure, Inc.<sup>66</sup>

Teunissen, along with other Rust employees, formed a new corporation using the name Donahue & Associates in 1997.<sup>67</sup> Although none of the founders was named Donahue, the defendants contended that the name choice reflected the founders' hopes of recalling the concept of an employee-owned corporation with a strong team attitude.<sup>68</sup> Rust brought suit for false designation of origin pursuant to Section 43(a) of the Lanham Act.<sup>69</sup> The district court denied preliminary injunctive relief and Rust appealed.<sup>70</sup>

The Seventh Circuit noted that under 15 U.S.C. § 1127, a mark is deemed abandoned when its use has been discontinued with an intent not to resume such use.<sup>71</sup> Under the law at that time, nonuse for two consecutive years was prima facie evidence of abandonment.<sup>72</sup> Accordingly, the court found Rust had abandoned the name Donahue & Associates.<sup>73</sup>

Rust argued that prima facie evidence of abandonment of a mark is not the end of the inquiry.<sup>74</sup> Relying on *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club, Ltd.*,<sup>75</sup> Rust contended that because subsequent use of an abandoned mark may evoke a continuing association with the prior use, those who subsequently use the mark may be required to take reasonable precautions to prevent confusion.<sup>76</sup> However, the court found that Rust's reliance on *Indianapolis Colts* was \*377 misguided.<sup>77</sup> The relevant comparison, according to the court, is between the new name adopted by the allegedly infringing third party and the new name adopted by the holder of the abandoned mark.<sup>78</sup> In *Indianapolis Colts*, the third party's use of the abandoned name was confusingly similar to the new name adopted by the holder of the abandoned mark in that both shared the term "COLTS."<sup>79</sup>

However, in the present case, the relevant comparison is between the names Rust Environment & Infrastructure, Inc. and Donahue & Associates, which the court found was not likely to result in consumer confusion.<sup>80</sup> Accordingly, the court found that Rust was unlikely to prevail on the merits of its Lanham Act claim and affirmed the district court's denial of Rust's preliminary injunction.<sup>81</sup>

### **III. Trademark Litigation--Personal Jurisdiction Based on Internet Presence**

#### **A. *Hasbro, Inc. v. Clue Computing, Inc.***<sup>82</sup>

The defendant, Clue Computing, Inc., is a Colorado corporation located in Longmont, Colorado and is engaged in the

business of computer consulting.<sup>83</sup> It performed much of its work remotely using telecommunication technology.<sup>84</sup> Between 1994 and 1996, the defendant performed services for a number of clients, including, indirectly, work for Digital Equipment Corporation (Digital), a Massachusetts company.<sup>85</sup>

The defendant owned the domain names “clue.com” and “clue-computing.com.”<sup>86</sup> Through its web site, it advertised its business, which included “Internet consulting, training, system administration, and network design.”<sup>87</sup> The defendant’s web site promoted its willingness to travel and to \*378 provide services for clients “anywhere on the planet.”<sup>88</sup> Additionally, the defendant’s web site also prominently mentioned its relationship with Digital Equipment Corporation.<sup>89</sup>

The plaintiff designs, manufactures, and markets children’s toys and games.<sup>90</sup> It invented the Clue board game in 1944.<sup>91</sup> The plaintiff registered the name Clue as a trademark in 1950.<sup>92</sup> Its largest manufacturing facility is located in Beverly, Massachusetts.<sup>93</sup> The plaintiff brought suit against the defendant for trademark infringement of the CLUE trademark in the United States District Court in Massachusetts, and the defendant moved to dismiss the case for lack of personal jurisdiction.<sup>94</sup>

The court first addressed the current body of case law concerning the exercise of personal jurisdiction stemming from a party’s operation of an Internet web site.<sup>95</sup> In general, the majority of courts that have considered the issue hold that jurisdiction normally requires additional factors other than the existence of the web site itself.<sup>96</sup> However, the issue is not settled as to what additional activity is necessary to avail a defendant of the jurisdiction of a remote forum.<sup>97</sup> One additional activity which may justify the exercise of jurisdiction upon a defendant is the fact that a contract existed between the defendant and the plaintiff in the case.<sup>98</sup> In another line of cases, various types of tortious conduct by the defendant, such as creating an allegedly defamatory web page or “cyber-squatting”<sup>99</sup> may also result in a court’s decision to exercise personal jurisdiction over the defendant.<sup>100</sup> Citing *Inset Systems, Inc. v. Instruction Set, Inc.*,<sup>101</sup> and *Heroes, Inc. v. Heroes Foundation*,<sup>102</sup> the court further \*379 noted that a minority of courts have held or suggested that the existence of a worldwide web site alone to be sufficient for the exercise of personal jurisdiction.<sup>103</sup>

The court adopted the majority approach and considered circumstances in addition to the defendant’s mere operation of a web site.<sup>104</sup> First, the court determined that the defendant’s activities fell within the reach of the Massachusetts long-arm statute.<sup>105</sup> The court found that the defendant’s activities constituted “soliciting business” as contemplated by the long-arm statute because the web site’s entire purpose was advertising and it was intended to expand the scope of the defendant’s potential customer base.<sup>106</sup> The web site explicitly stated that the defendant’s services would be provided to any customer site and was accessible twenty-four hours a day, seven days a week, to all Massachusetts residents.<sup>107</sup> The web site also touted its relationship with Digital, presumably to attract new customers by use of Digital’s name recognition.<sup>108</sup>

Next, the court considered whether exercise of personal jurisdiction over the defendant violated constitutional due process. In this case, the defendant purposefully directed its advertising at all the states.<sup>109</sup> It did nothing to avoid Massachusetts and knowingly worked for Digital, albeit indirectly.<sup>110</sup> Moreover, the defendant’s work for Digital comprised 33% to 50% of its annual revenue.<sup>111</sup> Still further, the defendant availed itself of the benefits of doing business in Massachusetts by advertising its work for Digital on its web site.<sup>112</sup> The defendant had taken no measures to avoid contacts in the forum state, but rather, actually encouraged them.<sup>113</sup> While the court expressed reservations about decisions, such as *Inset* and *Heroes*, that base state court jurisdiction on the existence of a web site alone, it nevertheless held that the additional circumstances in the present case were sufficient to justify exercise of personal jurisdiction over the defendant in Massachusetts.<sup>114</sup>

#### **\*380 B. *SF Hotel Co., L.P. v. Energy Investments, Inc.***<sup>115</sup>

This case concerned a declaratory judgment action involving the right to use the mark SIERRA SUITES in connection with hotel operations.<sup>116</sup> The plaintiff, SF Hotel Co. (SF Hotel), operates a number of hotels in California, Florida, Georgia, Illinois, Missouri, New Jersey, North Carolina, Pennsylvania, Texas, and Virginia.<sup>117</sup> The plaintiff began construction of additional hotels using the mark SIERRA SUITES in Orlando, Florida and Atlanta, Georgia.<sup>118</sup>

The defendant, Energy Investments, Inc., operated a hotel using the mark SIERRA SUITES in Daytona Beach, Florida.<sup>119</sup> The defendant’s counsel wrote to SF Hotel’s president, demanding that SF Hotel cease and desist using the SIERRA SUITES name.<sup>120</sup> In response, the plaintiff filed a declaratory judgment action in Kansas’s federal district court.<sup>121</sup> The defendant contested the exercise of personal jurisdiction in Kansas.<sup>122</sup>

In considering whether it would be proper to exercise personal jurisdiction over the defendant, the court found that the defendant did not own property, had not transacted any business, had not solicited business, and had not entered into any contracts which were to be performed in Kansas.<sup>123</sup>

The plaintiff asserted that the defendant had, in fact, transacted business in Kansas based upon one Kansas resident's stay at the Sierra Suites hotel in Florida.<sup>124</sup> However, the plaintiff could produce no evidence to suggest what caused that individual to stay in that hotel.<sup>125</sup> The court also found that a single contact was simply too minimal to support an exercise of personal jurisdiction over the defendant.<sup>126</sup>

\***381** Next, the plaintiff argued that placing an ad in the *Daytona Beach Visitor's Guide*, which was distributed to Kansas residents upon request, was sufficient to subject the defendant to personal jurisdiction in Kansas.<sup>127</sup> Again, the court disagreed.<sup>128</sup> Although the visitors' guide was distributed to Kansas residents, it was only distributed when those residents took active steps to acquire additional information.<sup>129</sup> The court held the *Daytona Beach Visitor's Guide* to be general, national advertising, supplying no additional basis for exercising personal jurisdiction over the defendant in Kansas.<sup>130</sup>

Finally, SF Hotel asserted that jurisdiction over the defendant was proper due to the defendant's Sierra Suites web site.<sup>131</sup> After reviewing a number of cases dealing with the exercise of personal jurisdiction over defendants based upon those defendants' web sites, the court found that cases that have upheld personal jurisdiction over a defendant involved more than passive Internet advertising.<sup>132</sup> Specifically, the cases either involved active communications on the Internet or trademark infringement actions connected directly with the defendant's Internet activities.<sup>133</sup>

Indeed, relying on *Bensusan Restaurant Corp. v. King*<sup>134</sup> among several cases discussed, the court held that creating a web site was not an act purposefully directed towards the forum state.<sup>135</sup> Accordingly, the court held that, given the tenuous connections between the defendant and the state of Kansas, the exercise of jurisdiction over the defendant would clearly be inappropriate.<sup>136</sup>

### ***C. Transcraft Corp. v. Doonan Trailer Corp.***<sup>137</sup>

Transcraft Corp. (Transcraft) sued Doonan Trailer Corp. (Doonan) for trademark infringement, unfair competition, and trademark dilution under the \***382** Lanham Act.<sup>138</sup> Transcraft alleged that Doonan sold and marketed cargo trailers with a design confusingly similar to Transcraft's design trademark for cargo trailers, which Transcraft has federally registered.<sup>139</sup> Doonan moved to dismiss the complaint for lack of personal jurisdiction.<sup>140</sup>

To establish personal jurisdiction in Illinois, Transcraft first argued that because Doonan's trailers traveled on the interstate highways through Illinois, they would be viewed by consumers and thereby be within the jurisdiction of the court.<sup>141</sup> However, Transcraft could offer no support for the proposition that an allegedly infringing cargo trailer subjects its manufacturer to personal jurisdiction in every state through which the trailer might pass.<sup>142</sup> Relying on *Worldwide Volkswagen Corp. v. Woodson*,<sup>143</sup> the court noted that "a car is not a roving agent for service of process merely because its inherent function involves travel."<sup>144</sup> Although the nature of trademark infringement in some ways distinguished the present case over *Worldwide Volkswagen*, the court found it would be unreasonable to hold Doonan liable for personal jurisdiction on the basis that its trailers pass through Illinois.<sup>145</sup>

Transcraft also argued that Doonan's Internet web site subjected Doonan to jurisdiction in Illinois courts.<sup>146</sup> According to Transcraft, the Doonan web site provided residents of Illinois with contact, dealer, and sales information for Doonan's trailers.<sup>147</sup> The web site also included information on means of contacting Doonan for such sales information.<sup>148</sup>

In analyzing jurisdiction based upon Doonan's web site, the court quoted *Weber v. Jolly Hotels*,<sup>149</sup> which organized cases dealing with the issue into three categories.<sup>150</sup> The first category involved cases where the defendants actively did \***383** business on the Internet.<sup>151</sup> In those instances, personal jurisdiction is likely to be established because the defendants entered into contracts with residents of the jurisdiction.<sup>152</sup>

The second category dealt with situations where users could exchange computer information with a host computer.<sup>153</sup> In this category, the exercise of personal jurisdiction involves a determination of the level of interactivity and commercial nature of the exchange of information.<sup>154</sup>

The third category involved passive web sites that were merely advertisements or that simply provided information.<sup>155</sup> Personal jurisdiction is generally not exercised for situations falling within this category for fear that simply owning or operating an Internet web site would subject anyone to nationwide jurisdiction.<sup>156</sup> The court also noted the recent decision in *Hasbro, Inc. v. Clue Computing*,<sup>157</sup> reasoning that advertisements on the Internet can subject a defendant to personal jurisdiction if the defendant intended that its advertisement reach a particular state.<sup>158</sup> However, the court distinguished this

case from *Hasbro* because it found no evidence that Doonan used its web site to encourage contacts with Illinois.<sup>159</sup>

Although Transcraft cited district court decisions holding that web page advertisements with toll-free numbers were sufficient to subject defendants to personal jurisdiction, the court found that the countervailing opinions holding similar web sites insufficient to support personal jurisdiction were greater in number and better reasoned.<sup>160</sup> The court held that Doonan's web site did not subject it to personal jurisdiction in Illinois.<sup>161</sup>

#### **\*384 IV. Establishing Trademark Rights**

##### **A. Use Required to Establish Common Law Rights: *Lucent Information Management, Inc. v. Lucent Technologies, Inc.***<sup>162</sup>

The plaintiff was originally formed as Lucent Systems Corporation in August of 1995; on September 22, 1995, the company changed its name to Lucent Information Management (LIM).<sup>163</sup> LIM is a Pennsylvania corporation specializing in computer document management systems.<sup>164</sup>

The defendant, Lucent Technologies, Inc. (LTI), is a Delaware corporation spun off by AT&T to provide goods and services in the telecommunication and information systems area.<sup>165</sup> AT&T selected the name "Lucent" for the new company and on November 30, 1995, filed an intent-to-use (ITU) application with the United States Patent and Trademark Office (PTO) for the mark LUCENT.<sup>166</sup>

LIM filed suit against LTI on September 12, 1996, alleging, *inter alia*, trademark infringement under 15 U.S.C. § 1125(a), and both parties filed motions for summary judgment.<sup>167</sup>

In determining priority of use, the court determined that LTI was entitled to rely on its November 30, 1995 application date to claim priority over anyone using the mark after that date.<sup>168</sup> Although LIM argued that allowing LTI to rely on the application date was inappropriate because the LTI trademark registration had not yet been granted, the court held that finding otherwise would "eviscerate the ITU provisions and defeat their very purpose."<sup>169</sup>

In contrast, because LIM did not apply for registration of its mark until April 1996, it could not rely upon the priority of ownership conferred through registration and use under the Lanham Act.<sup>170</sup> The court recognized that trademark ownership is not categorized and documented by registration procedures, but is acquired by **\*385** adoption and use.<sup>171</sup> Accordingly, the court then analyzed LIM's use of the mark prior to LTI's ITU filing date of November 30, 1995 to determine whether LIM could establish ownership of the LUCENT mark.<sup>172</sup> The court held that LIM must establish that its use of the LUCENT mark was "not just enough to support an application for registration, but rather was extensive enough to establish common law trademark rights."<sup>173</sup>

LIM's activities prior to LTI's November 30, 1995 filing date were divided into two basic categories: the first was advertising and promotion, and the second, sales.<sup>174</sup> With respect to LIM's use of the mark in connection with advertising and promotion, the court considered evidence that LIM issued a letter on September 5, 1995 announcing a new business in its name.<sup>175</sup> Unfortunately for LIM, the letter was written on the letterhead of a separate, unrelated corporation which happened to be owned by one of LIM's founders.<sup>176</sup>

In addition to the September 5, 1995 letter, LIM made several product presentations during the month of November 1995.<sup>177</sup> These presentations were few and far between, prompting the court to conclude that LIM's use was not extensive enough to establish common law trademark rights.<sup>178</sup> Relying on *T.A.B. Systems v. Pactel Teletrac*,<sup>179</sup> the court determined that LIM's efforts in advertising and promoting its mark did not establish the "popularization in the public mind" of a connection between the LUCENT mark and their services.<sup>180</sup>

With respect to sales, LIM produced only meager evidence of a single modem sold to one customer for \$323.50.<sup>181</sup> Nevertheless, LIM claimed that the one sale was enough to establish priority and cited case law to this effect.<sup>182</sup> However, the court noted that the customer for this sale happened to be a personal friend of some **\*386** of LIM's founders,<sup>183</sup> and stated that many other courts had refused to recognize trademark ownership by a party that can only point to limited sales or sales to friends and relatives.<sup>184</sup>

Even so, the court analyzed LIM's sales evidence under a four-part test set forth in *Natural Footwear Ltd. v. Hart Schaffner*

& *Marx*.<sup>185</sup> The four factors are: 1) volume of sales, 2) growth trends, 3) the number of persons purchasing the product in relation to the potential number of customers, and 4) the amount of product advertising.<sup>186</sup> In this case, none of the four factors weighed in LIM's favor.<sup>187</sup> The court concluded that no reasonable trier of fact could conclude that the modest sale constituted prior use sufficient to establish rights in the LUCENT mark, and granted summary judgment in favor of LTI.<sup>188</sup>

## V. Trademark Licensing

### A. Continued Use of Mark After Termination of License: *U.S. Structures v. J.P. Structures, Inc.*<sup>189</sup>

The defendant, J.P. Structures, Inc., was a franchisee of the plaintiff, U.S. Structures, Inc.<sup>190</sup> The franchising agreement gave the defendant the right to use several of the plaintiff's trademarks, such as ARCHADECK, in connection with a deck construction business.<sup>191</sup> The franchise operated until the plaintiff terminated it for the defendant's failure to pay sales royalties owed.<sup>192</sup>

The defendant continued to use the ARCHADECK trademark after the termination of the franchise.<sup>193</sup> The plaintiff then sued to enjoin the defendant from infringing the ARCHADECK trademark and to recover damages for past \*387 infringement.<sup>194</sup> The district court granted summary judgment for trademark infringement and unfair competition in violation of the Lanham Act, and the defendant appealed.<sup>195</sup>

On appeal, the defendant first argued that there was a genuine issue of material fact as to whether the plaintiff consented to the use of the ARCHADECK trademark after the franchise agreement was terminated.<sup>196</sup> To support this contention, the defendant offered the deposition testimony of one of its officers, Joseph Pilat, that Pilat's intellectual property attorney informed him that the plaintiff had agreed to let the defendant operate as a "quasi-franchise" while the parties negotiated a settlement to the dispute.<sup>197</sup> However, the Sixth Circuit noted that under Federal Rule of Civil Procedure 56(e), evidence submitted in opposition to a motion for summary judgment must be admissible.<sup>198</sup> In this case, because Pilat's testimony consisted only of hearsay statements regarding the plaintiff's alleged consent, it was inadmissible and, consequently, disregarded.<sup>199</sup>

Second, the defendant argued that there was a genuine issue of material fact regarding whether its conduct created a likelihood of confusion in the marketplace because the court failed to consider all the relevant factors set forth by the Sixth Circuit in *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.*<sup>200</sup> However, unlike a trademark infringement case involving imitation of a registered trademark, in this case, the plaintiff's cause of action was based upon a theory that the defendant continued to use the actual trademark after their franchise agreement had been terminated.<sup>201</sup> Citing *Burger King Corp. v. Mason*,<sup>202</sup> the court held that proof of continued, unauthorized use of an original trademark by one whose license to use the trademark had been terminated is sufficient to establish likelihood of confusion.<sup>203</sup>

## \*388 VI. Trademark Registration Practice

### A. ITU Application Practice: *In re Upsher-Smith Laboratories, Inc.*<sup>204</sup>

In this case, the Commissioner of Patents and Trademarks set forth new procedural rules in the prosecution of intent-to-use trademark applications under 15 U.S.C. § 1051(b) of the Trademark Act.<sup>205</sup> Specifically, under past practice, after a notice of allowance issues, the applicant may file either a statement of use or a request for extension of time to file a statement of use.<sup>206</sup> Trademark Rule 2.71(b) precludes additions to the identification of goods or recitation of services.<sup>207</sup> After publication, the scope of goods or services may only be amended to clarify or narrow the recited scope of goods or services.<sup>208</sup> It may not be amended to include goods or services beyond the scope of the application as published.<sup>209</sup> Additionally, no amendments to the application are allowed during the time period after the notice of allowance and before the filing of the statement of use, except to delete specified goods or services.<sup>210</sup> Otherwise, any amendment submitted during this period is placed in the application file for consideration at the time the statement of use is examined.<sup>211</sup>

Under Trademark Rule 2.89(f), any goods or services specified in a notice of allowance which are omitted from the identification of goods or services in requests for extension of time will be presumed to be deleted and cannot later be reinstated in the application.<sup>212</sup> However, in contrast to the request for extension of time, goods or services which are identified in the notice of allowance, but which are inadvertently omitted in the statement of use, may be reinserted.<sup>213</sup> This creates a dilemma for trademark applicants. An applicant who wishes to amend the identification of goods or services after the notice of allowance but before filing the statement of use does not know whether to refer to the identification contained in



the \*389 notice of allowance or to the identification contained in the proposed amendment.<sup>214</sup> “An improper reference could result in a holding by the Office that the goods or services have been irreparably deleted.”<sup>215</sup>

Accordingly, on petition, applicants may now request a determination of whether a proposed amendment to the identification of goods or services will be acceptable.<sup>216</sup> In addition, applicants may also request determinations with respect to any other proposed amendment.<sup>217</sup>

The case sets forth the procedures to be followed to take advantage of this change in trademark prosecution practice.<sup>218</sup> This change will make it easier for applicants to accurately identify their goods and services in both extension requests and statements of use.

#### **B. Cancellation: *Rivard v. Linville***<sup>219</sup>

Rivard obtained a U.S. trademark registration for the mark ULTRACUTS in connection with hairdressing and beauty salon services.<sup>220</sup> The application claimed a right to registration based on a Canadian registration owned by Rivard.<sup>221</sup> In 1991, Linville requested cancellation of this registration based on Rivard’s apparent abandonment of the ULTRACUTS mark.<sup>222</sup> Rivard did not offer hairdressing and beauty salon services in the United States before the Petition for Cancellation.<sup>223</sup>

The United States Trademark Trial and Appeal Board (TTAB) granted summary judgment to Linville based on Rivard’s failure to raise a genuine factual issue concerning any excusable nonuse of the mark for two years, but the Federal Circuit overturned summary judgment, and the TTAB ruled against Rivard on the merits.<sup>224</sup>

\*390 On appeal, the Federal Circuit noted that a cancellation petitioner established a prima facie case of abandonment by showing proof of nonuse in the United States for two consecutive years.<sup>225</sup> A prima facie case of abandonment creates a rebuttable presumption that the registrant abandoned the mark without an intent to resume.<sup>226</sup> The burden is shifted to the registrant to produce evidence that he either used the mark during the statutory period or intended to resume or commence use.<sup>227</sup> The court noted that a “registrant’s proclamations of his intent to resume or commence use in United States commerce during the period of nonuse are awarded little, if any, weight.”<sup>228</sup> To prove excusable nonuse, “the registrant must produce evidence showing that, under his particular circumstances, his activities are those that a reasonable businessman, who had a bona fide intent to use the mark in United States commerce, would have undertaken.”<sup>229</sup>

The court felt that Rivard’s testimony of sporadic trips, cursory investigations of potential sites, and half-hearted attempts to open a salon was nothing more than a denial of an intent to abandon the ULTRACUTS mark.<sup>230</sup> Accordingly, the TTAB’s decision was affirmed.<sup>231</sup>

#### **C. Acceptability of Specimens: *In re Adair***<sup>232</sup>

Marilyn Adair filed a service mark application to register the mark TREE ARTS CO and design.<sup>233</sup> The registration was refused on the grounds that the specimens submitted did not show use of the mark for the services for which registration was sought, and the applicant appealed.<sup>234</sup>

The services recited in the application were for design services related to “designing permanently decorated Christmas trees and designer trees with custom skirts for use as room accessories.”<sup>235</sup> The specimens submitted by the applicant \*391 were tags bearing the mark accompanied by a photograph of several decorated Christmas trees, each with one or more of the tags tied to its branches.<sup>236</sup> The applicant also submitted a form letter she used in responding to requests for information about her products along with a promotional sheet and a mailing envelope.<sup>237</sup>

With respect to the tags, the Trademark Trial and Appeal Board (TTAB) found that the specimens showed the mark, applicant’s location, and the phrase “Wishing You a ... Christmas of lasting beauty,” but the tags contained no reference to the asserted services.<sup>238</sup>

With respect to the other specimens, the TTAB could find nothing in the specimens of record which would create an association between the applicant’s mark and her purported services in the mind of potential purchaser.<sup>239</sup>

Applicant asserted that her promotional sheet, which contained the mark, included the sentence “[o]ur natural looking trees are available in elegant custom styles and gift sizes for any room.”<sup>240</sup> The TTAB disagreed with the applicant’s contention that the adjective “custom” evidenced the fact that the mark sought to be registered was used in advertising the design services, noting that the adjective “custom” was defined in *Webster’s New World College Dictionary (3rd Edition 1997)* as

“made or done to order or, sometimes, made extra fine, as if to order.”<sup>241</sup> The purchasers could just as easily have perceived the words “elegant custom styles” as a reference to the extra fine nature of applicant’s trees, rather than to the applicant’s design services.<sup>242</sup> The TTAB accordingly affirmed the refusal to register.<sup>243</sup>

#### Footnotes

<sup>a1</sup> Liddell, Sapp, Zivley, Hill & LaBoon, L.L.P., Houston, Texas.

<sup>1</sup> 45 U.S.P.Q.2d (BNA) 1179 (C.D. Cal. 1997).

<sup>2</sup> *Id.* at 1180.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 1187.

<sup>9</sup> *Id.* at 1182.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 1182 n.1.

<sup>14</sup> *Id.* at 1182.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

18 *Id.*

19 *Id.*

20 *Id.*

21 *Id.* at 1183.

22 *Id.* at 1182.

23 *Id.* at 1183.

24 *Id.*

25 *Id.*

26 134 F.3d 749, 45 U.S.P.Q.2d (BNA) 1412 (6th Cir. 1998).

27 *Id.* at 756, 45 U.S.P.Q.2d at 1418.

28 *Id.* at 750, 45 U.S.P.Q.2d at 1413.

29 *Id.*

30 *Id.* at 751, 45 U.S.P.Q.2d at 1414.

31 *Id.*

32 *Id.* at 756, 45 U.S.P.Q.2d at 1418.

33 *Id.* at 754, 45 U.S.P.Q.2d at 1417.

34 *Id.*

35 *Id.*

36 *Id.* (citing 1 J. MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:5 (4th ed. 1997)).

37 *Id.* at 755, 45 U.S.P.Q.2d at 1417.

38 *Id.*

39 *Id.*

40 *Id.*

41 *Id.*

42 *Id.*

43 *Id.*

44 *Id.*, 45 U.S.P.Q.2d at 1417-18.

45 *Id.* at 756, 45 U.S.P.Q.2d at 1418.

46 *Id.* at 755-56, 45 U.S.P.Q.2d at 1418 (citing 15 U.S.C. § 1115(b)(4) (1994)).

47 *Id.* at 756, 45 U.S.P.Q.2d at 1418 (Martin, C.J., dissenting).

48 130 F.3d 1305, 45 U.S.P.Q.2d (BNA) 1146 (8th Cir. 1997).

49 *Id.* at 1306, 45 U.S.P.Q.2d at 1147.

50 *Id.*

51 *Id.*

52 *Id.*

53 *Id.*

54 *Id.*

55 *Id.* at 1307, 45 U.S.P.Q.2d at 1148.

56 *Id.*

57 *Id.*

58 *Id.* at 1308, 45 U.S.P.Q.2d at 1149.

59 *Id.*

60 *Id.*

61 *Id.*

62 131 F.3d 1210, 45 U.S.P.Q.2d (BNA) 1187 (7th Cir. 1997).

63 *Id.* at 1212, 45 U.S.P.Q.2d at 1188.

64 *Id.*

65 *Id.*

66 *Id.* at 1212-13, 45 U.S.P.Q.2d at 1188.

67 *Id.*

68 *Id.* at 1213, 45 U.S.P.Q.2d at 1188.

69 *Id.*, 45 U.S.P.Q.2d at 1189 (citing 15 U.S.C. § 1125(a) (1994)).

70 *Id.*

71 *Id.* at 1214, 45 U.S.P.Q.2d at 1189 (citing 15 U.S.C. § 1127 (1994)).

72 *Id.*

73 *Id.*

74 *Id.*

75 34 F.3d 410, 31 U.S.P.Q.2d (BNA) 1811 (7th Cir. 1994).

76 *Rust*, 131 F.3d at 1214, 45 U.S.P.Q.2d at 1189-90 (citing *Indianapolis Colts*, 34 F.3d at 413, 31 U.S.P.Q.2d at 1813).

77 *Id.* at 1214, 45 U.S.P.Q.2d at 1190.

78 *Id.* at 1214-15, 45 U.S.P.Q.2d at 1190.

79 *Id.* at 1215, 45 U.S.P.Q.2d at 1190-91.

80 *Id.*

81 *Id.* at 1219-20, 45 U.S.P.Q.2d at 1194.

82 45 U.S.P.Q.2d (BNA) 1170 (D. Mass. 1997).

83 *Id.* at 1171.

84 *Id.* at 1172.

85 *Id.*

86 *Id.*

87 *Id.*

88 *Id.*

89 *Id.*

90 *Id.*

91 *Id.*

92 *Id.*

93 *Id.*

94 *Id.* at 1170.

95 *Id.* at 1173.

96 *Id.*

97 *Id.*

98 *Id.* at 1174.

99 A cyber-squatter is one who registers Internet domain names which contain, or are similar to, well-known trademarks for the purpose of later selling them back to the trademark owner. *See* Panavision Int'l, L.P. v. Toeppen, 938 F. Supp. 616, 621, 40 U.S.P.Q.2d (BNA) 1908, 1913 (C.D. Cal. 1996).

100 *Hasbro*, 45 U.S.P.Q.2d at 1174.

101 937 F. Supp. 161, 164 (D. Conn. 1996).

102 958 F. Supp. 1, 3, 41 U.S.P.Q.2d (BNA) 1513, 1516 (D.D.C. 1996).

103 *Hasbro*, 45 U.S.P.Q.2d at 1174.

104 *Id.* at 1178.

105 *Id.* at 1177 (citing MASS. GEN. LAWS ANN. ch. 223A, § 3 (West 1997)).

106 *Id.*

107 *Id.*

108 *Id.*

109 *Id.*

110 *Id.* at 1177-78.

111 *Id.* at 1178.

112 *Id.*

113 *Id.*

114 *Id.*

115 985 F. Supp. 1032, 45 U.S.P.Q.2d (BNA) 1308 (D. Kan. 1997).

116 *Id.* at 1032, 45 U.S.P.Q.2d at 1309.

117 *Id.*

118 *Id.*

119 *Id.*

120 *Id.*

121 *Id.* at 1033, 45 U.S.P.Q.2d at 1309.

122 *Id.*, 45 U.S.P.Q.2d at 1310.

123 *Id.*, 45 U.S.P.Q.2d at 1309-10.

124 *Id.*, 45 U.S.P.Q.2d at 1310.

125 *Id.*

126 *Id.* at 1034, 45 U.S.P.Q.2d at 1310.

127 *Id.*

128 *Id.*, 45 U.S.P.Q.2d at 1310-11.

129 *Id.*

130 *Id.*, 45 U.S.P.Q.2d at 1311.

131 *Id.*

132 *Id.* at 1034-35, 45 U.S.P.Q.2d at 1311.

133 *Id.* at 1035, 45 U.S.P.Q.2d at 1311.

134 937 F. Supp. 295, 301, 40 U.S.P.Q.2d (BNA) 1519, 1523 (S.D.N.Y. 1996), *aff'd*, 126 F.3d 25, 44 U.S.P.Q.2d (BNA) 1051 (2d Cir. 1997).

135 *SF Hotel*, 985 F. Supp. at 1035-36, 45 U.S.P.Q.2d at 1312.



136 *Id.* at 1036, 45 U.S.P.Q.2d at 1312.

137 45 U.S.P.Q.2d (BNA) 1097 (N.D. Ill. 1997).

138 *Id.*

139 *Id.*

140 *Id.*

141 *Id.*

142 *Id.* at 1101.

143 444 U.S. 286, 295-99 (1980).

144 *Transcraft*, 45 U.S.P.Q.2d at 1101.

145 *Id.*

146 *Id.* at 1102.

147 *Id.*

148 *Id.*

149 977 F. Supp. 327 (D.N.J. 1997).

150 *Transcraft*, 45 U.S.P.Q.2d at 1102 (quoting *Weber*, 977 F. Supp. at 333).

151 *Id.* (quoting *Weber*, 977 F. Supp. at 333).

152 *Id.*

153 *Id.* (quoting *Weber*, 977 F. Supp. at 333).

154 *Id.*

155 *Id.*

156 *Id.*

157 45 U.S.P.Q.2d 1170 (D. Mass. 1997). See discussion *supra* III.A.

158 *Transcraft*, 45 U.S.P.Q.2d at 1103 (citing *Hasbro*, 45 U.S.P.Q.2d at 1178-79).

159 *Id.*

160 *Id.*

161 *Id.*

162 986 F. Supp. 253, 45 U.S.P.Q.2d (BNA) 1019 (D. Del. 1997).

163 *Id.* at 254, 45 U.S.P.Q.2d at 1021.

164 *Id.*, 45 U.S.P.Q.2d at 1020.

165 *Id.* at 255, 45 U.S.P.Q.2d at 1021.

166 *Id.*, 45 U.S.P.Q.2d at 1022.

167 *Id.* at 254, 45 U.S.P.Q.2d at 1020-21 (citing 15 U.S.C. § 1125(a) (1994)).

168 *Id.* at 258, 45 U.S.P.Q.2d at 1023-24.

169 *Id.*, 45 U.S.P.Q.2d at 1024 (quoting *Warnervision Entertainment, Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259, 262, 40 U.S.P.Q.2d (BNA) 1855, 1857 (2d Cir. 1996)).

170 *Id.* (citing 15 U.S.C. § 1057 (1994)).

171 *Id.*

172 *Id.*

173 *Id.* at 259, 45 U.S.P.Q.2d at 1024.

174 *Id.*, 45 U.S.P.Q.2d at 1025.

175 *Id.*

176 *Id.*

177 *Id.*

178 *Id.*

179 77 F.3d 1372, 1377, 37 U.S.P.Q.2d (BNA) 1879, 1883 (Fed. Cir. 1996).

180 *Lucent*, 986 F. Supp. at 259, 45 U.S.P.Q.2d at 1025.

181 *Id.*

182 *Id.* at 260, 45 U.S.P.Q.2d at 1025 (citing *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1265, 185 U.S.P.Q. (BNA) 1, 4 (5th Cir. 1975); *Wallace & Co. v. Repetti*, 266 F. 307, 308-09 (2d. Cir. 1920)).

183 *Id.* at 259, 45 U.S.P.Q.2d at 1025

184 *Id.* at 260, 45 U.S.P.Q.2d at 1025.

185 760 F.2d 1383, 1398-99, 225 U.S.P.Q. (BNA) 1104, 1114 (3d Cir. 1985).

186 *Lucent*, 986 F. Supp. at 260, 45 U.S.P.Q.2d at 1025.

187 *Id.*, 45 U.S.P.Q.2d at 1026.

188 *Id.* at 260-61, 45 U.S.P.Q.2d at 1026.

189 130 F.3d 1185, 45 U.S.P.Q.2d (BNA) 1027 (6th Cir. 1997).

190 *Id.* at 1187, 45 U.S.P.Q.2d at 1028.

191 *Id.*

192 *Id.*

193 *Id.*

194 *Id.*, 45 U.S.P.Q.2d at 1029.

195 *Id.* at 1188, 45 U.S.P.Q.2d at 1029.

196 *Id.* at 1189, 45 U.S.P.Q.2d at 1030.

197 *Id.*

198 *Id.* (citing FED. R. CIV. P. 56(e)).

199 *Id.*

200 *Id.* at 1189-90, 45 U.S.P.Q.2d at 1030 (citing *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648, 214 U.S.P.Q. (BNA) 15, 20 (6th Cir. 1982)).

201 *U.S. Structures*, 130 F.3d at 1190, 45 U.S.P.Q.2d at 1031.

202 710 F.2d 1480, 1492-93, 219 U.S.P.Q. (BNA) 693, 701 (11th Cir. 1983).

203 *U.S. Structures*, 130 F.3d at 1190, 45 U.S.P.Q.2d at 1031.

204 45 U.S.P.Q.2d (BNA) 1371 (Comm'r Pat. & Trademarks 1997).

205 *Id.* at 1373-74 (citing 15 U.S.C. § 1051(b) (1994)).

206 Trademark Rules of Practice, 37 C.F.R. §§ 2.88, 2.89 (1998).

207 Trademark Rules of Practice, 37 C.F.R. § 2.71(b) (1998).

208 *Upsher-Smith*, 45 U.S.P.Q.2d at 1372.

209 *Id.*

210 *Id.*

211 *Id.*

212 Trademark Rules of Practice, 37 C.F.R. § 2.89(f) (1998).

213 Trademark Rules of Practice, 37 C.F.R. § 2.88(I)(2) (1998).

214 *Upsher-Smith*, 45 U.S.P.Q.2d at 1373.

215 *Id.*

216 *Id.*

217 *Id.*

218 *Id.* at 1373-74.

219 133 F.3d 1446, 45 U.S.P.Q.2d (BNA) 1374 (Fed. Cir. 1998).

220 *Id.* at 1447, 45 U.S.P.Q.2d at 1375.

221 *Id.*

222 *Id.* at 1447-48, 45 U.S.P.Q.2d at 1375.

223 *Id.* at 1448, 45 U.S.P.Q.2d at 1375.

224 *Id.*

225 *Id.* at 1449, 45 U.S.P.Q.2d at 1376 (explaining that 15 U.S.C.A. § 1127 (West 1998) was amended, effective January 1, 1996, to extend the minimum period of nonuse to three consecutive years).

226 *Id.*

227 *Id.*

228 *Id.*

229 *Id.*

230 *Id.*

231 *Id.* at 1450, 45 U.S.P.Q.2d at 1377.

232 45 U.S.P.Q.2d (BNA) 1211 (T.T.A.B. 1997).

233 *Id.* at 1212.

234 *Id.*

235 *Id.*

236 *Id.*

237 *Id.*

238 *Id.* at 1214.

239 *Id.* at 1215.

240 *Id.*

241 *Id.*

242 *Id.*

243 *Id.*