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Mailed: September 24, 2007
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UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Lanzhou Foguang Pharmaceutical Co., Ltd.
v.
Kingsway Trading, Inc.

Opposition Nos. 91158111 and 91160165

I. Morley Drucker and Samuel L. Alberstadt of Fulwider Patton LLP for Lanzhou Foguang Pharmaceutical Co.

Chris X. Lin and Kenneth Cang Li of Lin & Li, LLC for Kingsway Trading, Inc.

Before Hairston, Kuhlke and Bergsman, Administrative Trademark Judges.

Opinion by Hairston, Administrative Trademark Judge:

Applications were filed by Kingsway Trading, Inc. ("Applicant") to register the marks shown below both for "herbal supplements; herbal teas for medicinal purposes;

food for medically restricted diets" in International Class 5.[1]

(1) (2)

Lanzhou Foguang Pharmaceutical Co., Ltd, (a Chinese corporation, hereinafter "Opposer" or "Lanhou Foguang") has opposed registration in each instance. As grounds for opposition, opposer alleged that since at least as early as January 6, 1999, opposer has used the mark shown below in interstate commerce,

[1] (1) Application Serial No. 76406075, filed May 10, 2002, alleging a date of first use anywhere and a date of first use in commerce of August 1, 2001. The allegations of use and use in commerce were subsequently deleted and an allegation of a bona fide intention to use the mark in commerce was substituted. The words "DEERS FORMULA" are disclaimed apart from the mark as shown. The application includes the statements that "The stippling is a feature of the mark" and "The stippling is for shading purposes only." (2) Application Serial No. 76417210, filed June 4, 2004, alleging first use and first use in commerce in February 2000. The mark is described as consisting of "a graphic design and six Chinese characters." The Chinese characters "LING" "ZING" and "zhong" "yao" are disclaimed apart from the mark as shown. The application includes the statement that "The stippling is for shading purposes only."

for, inter alia, medicinal herbs and herbal teas for medicinal purposes; that it is the owner of application Serial No. 78141238 for such mark and goods; that at least as early as January 6, 1999, applicant was the United States distributor of opposer's products bearing the mark; that "at no time did Opposer agree that Applicant had, or could have, an ownership interest in the Double Deer and Design Mark of Opposer, nor at any time did Opposer agree that Applicant could file a trademark application, in the USA or elsewhere to register the Double Deer and Design Mark of Opposer, or any mark confusingly similar thereto;" and that applicant's marks, as applied to the identified goods, so resemble opposer's previously used and adopted mark, as to be likely to cause confusion.

Applicant, in its answers, denied the allegations in the notices of opposition.

By order of the Board dated April 19, 2006, the oppositions were consolidated and we will decide both cases in a single opinion. We note that at the time the oppositions were consolidated, testimony and briefs had been filed in Opposition No. 91158111 and the Board reset trial and briefing dates for Opposition No. 91160165 only. The parties did not take any additional testimony or submit any other evidence. The parties did file additional briefs.

Before turning to the record and merits of the case, there is a preliminary matter we must discuss. Accompanying applicant's brief on the case (in Opposition No. 91158111) are Exhibits A-F which were not made of record during applicant's testimony period. Opposer has moved to strike the exhibits as untimely filed. The Trademark Board Manual of Procedure §704.05 (2d ed. rev. 2004) states that "[e]xhibits and other evidentiary materials attached to a party's brief on the case can be given no consideration unless they were properly made of record during the time for taking testimony." Under the circumstances, opposer's motion is granted and Exhibits A-F which accompanied applicant's brief have been given no consideration in reaching our decision herein.

The Record

The record in these consolidated cases consists of the pleadings; the files of the involved applications; the trial testimony depositions, with accompanying exhibits, of Shoupeng Shang, opposer's president and general manager and former general manager of opposer's predecessor Lanzhou Chinese Herbal Medicine Factory (hereinafter "Lanzhou Chinese"); Spring Chang, a specialist in Chinese Intellectual Property Law; and Franklin Ng, applicant's president. Opposer submitted a notice of reliance on applicant's responses to opposer's interrogatories and requests for admissions. As indicated, both parties filed briefs.

Facts

Opposer's predecessor, Lanzhou Chinese, was formed in 1956 as a Chinese state-owned company. (Shang dep. at 15.) Lanzhou Chinese was a manufacturer of herbal medicine products. (Shang dep. at 15.) Lanzhou Chinese was issued a Chinese registration on June 20, 1988 for the mark shown below which features a "Double Deer" design for "Chinese herbal supplement."

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(Shang dep. at 16, Opposer's exh. 20). On November 20, 1997 Lanzhou Chinese entered into a distribution agreement with GNC Industrial, a company formed by applicant, to sell Lanzhou Chinese's products in the U.S. (Shang dep. at 21-22, Opposer's exh. 21). Beginning in 1998, applicant placed orders with Lanzhou Chinese, imported products with the Double Deer design mark, and sold such products in the U.S. (Shang dep. at 22-24, Opposer's exh. 7, 8, 22, 23 and 30). In March or April 2000, Lanzhou Chinese announced its intention to declare bankruptcy. (Shang dep. at 39). Opposer was formed on August 8, 2000 as a Chinese limited liability company (Shang dep. at 11, 17). In 2001 Lanzhou

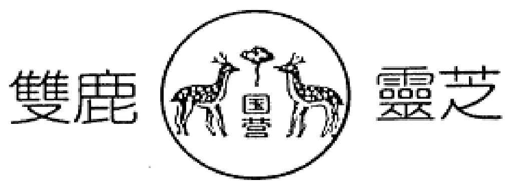
Chinese declared bankruptcy, and opposer purchased the assets of Lanzhou Chinese at a bankruptcy auction conducted by a Chinese government bankruptcy agency. (Shang dep. at 49, Opposer's exh. 30). Opposer subsequently obtained a license from the Chinese government to manufacture and sell Chinese patent medicines. (Shang dep. at 9-10, 17). Shortly after the bankruptcy auction, opposer changed its business type from a limited liability company to a joint venture management company. (Shang dep. At 11). Opposer has continued to sell products under the Double Deer design mark in the U.S. (Shang dep. at 19, 41).

<u>Likelihood of Confusion</u>

At the outset, we note that applicant, in its briefs, has not argued against the likelihood of confusion claims. In particular, applicant does not dispute that the marks in its applications are similar to opposer's pleaded mark. In this regard, we note that applicant admits that the mark shown in its application Serial No. 76406075 is "visually similar to Opposer's mark" and that such mark "conveys a substantially similar meaning to that of Opposer's mark." Applicant's responses to Requests for Admissions Nos. 8 and 10, respectively. Further, applicant does not dispute that the herbal supplements and herbal teas identified in its applications are essentially identical to the goods claimed by opposer, i.e., medicinal herbs and herbal teas. Thus, there is no question that there is a likelihood of confusion.

<u>Ownership</u>

Both parties claim ownership of marks featuring a "Double Deer" design for medicinal herbs and herbal teas. Opposer maintains that it is the owner of the mark shown below,



(hereinafter "Double Deer design mark") by virtue of acquiring the tangible and intangible assets of the original owner, Lanzhou Chinese, after bankruptcy.

Applicant, however, contends that opposer is not a true successor in interest to Lanzhou Chinese, and therefore could not have acquired rights to the Double Deer design mark in the United States. Applicant maintains that the bankruptcy of Lanzhou Chinese caused an abandonment of the Double Deer design mark and thereby permitted applicant to step in and acquire ownership rights in marks which also feature a "Double Deer" design.[2]

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[2] We note that much of the testimony of applicant's president, Franklin Ng, is directed to a purported oral assignment of the U.S. rights to the Double Deer design mark from Lanzhou Chinese to applicant. As a result, opposer introduced evidence and devoted a section of its initial brief to its contention that there was no such oral assignment. However, applicant, in its brief at 22, states that:

With respect to the issue of ownership, we start by observing that:

> It is well settled that between a foreign manufacturer and its exclusive United States distributor, the foreign manufacturer is presumed to be the owner of the mark unless an agreement between them provides otherwise.

Global Maschien GmbH v. Global Banking Systems, Inc., 227 U.S.P.Q. 862, 866 (TTAB 1984). See also McCarthy on Trademarks and Unfair Competition §29:8 (4th ed. database updated 2007). In a case which is factually similar to the present case, the district court stated that:

> There is a presumption that in the absence of express or implied acknowledgement or transfer by the foreign manufacturer of rights in the United States, all rights to the trademark are in the foreign manufacturer.

> …. whether this consent [to use and register the Double Deer trademark in the United States under applicant's name] was effective became unimportant once Lanzhou Chinese was dissolved during bankruptcy in October 2001 and its distributorship with Applicant terminated.
>
> In fact, unlike Opposer, Applicant has never based its claim to the U.S. Mark on an "assignment" theory, which Opposer has taken great length to repute [sic]."

Thus, notwithstanding the testimony of Mr. Ng, we deem these statements in applicant's brief as a concession that Lanzhou Chinese did not orally assign the U.S. rights to the Double Deer design mark to applicant. Under the circumstances, we have given no further consideration to an oral assignment theory.

Automated Productions Inc. v. FMB Maschinebaugesellschaft mbH & Co., 34 USPQ2d 1505, 1515 (N.D. Ill. 1994). In *Automated Productions*, the issue was whether the exclusive U.S. distributor (Automated Productions, Inc.) or the successor in interest (FMB) to the foreign manufacturer owned rights to the mark "FMB" for bar loaders in the machine tool field in the U.S. In that case, as here, the successor in interest was the buyer in bankruptcy from the foreign manufacturer. In analyzing the issue of ownership of the "FMB" mark in the U.S., the court held that "any first use, or any success which plaintiff [Automated Productions, Inc.] has enjoyed in establishing the FMB mark in the U.S. inures to the benefit of defendant [FMB]." *Automated Productions,* 34 USPQ2d at 1515. The court rejected the claim of ownership of Automated Productions, Inc., the exclusive U.S. distributor, as against FMB, the buyer in bankruptcy from the foreign manufacturer.

In this case, as in *Automated Productions*, there was no express or implied agreement which transferred rights to the Double Deer design mark in the U.S. from Lanzhou Chinese to applicant. So as to be clear, with the statements in its brief, applicant has conceded that there was no oral agreement with respect to such rights. Thus, any first use or success which applicant may have enjoyed in the mark flows back to opposer as Lanzhou Chinese's successor in bankruptcy.

Applicant's argument that the bankruptcy of Lanzhou Chinese created an abandonment of Lanzhou Chinese's (and, thus, opposer's) rights in the Double Deer design mark in the U.S. is without merit. Section 45 of the Trademark Act, 15 U.S.C. Section 1127, provides that a mark is abandoned when "its use has been discontinued with intent not to resume such use. Intent not to resume use may be inferred from circumstances. Nonuse for three consecutive years shall be prima facie abandonment."

The bankruptcy, per se, of Lanzhou Chinese did not constitute abandonment of the Double Deer design mark in the U.S., and there is no evidence that opposer has discontinued use of the Double Deer design mark in the U.S.

<u>Priority</u>

In view of our finding that opposer is the owner of the Double Deer design mark in the U.S., opposer is entitled to rely on the use of this mark for purposes of priority. With respect to priority, the record shows that the Double Deer design mark was used in the U.S. as early as 1998. This date is prior to both the filing date of applicant's intent-to-use application Serial No. 76406075 and the dates of first use alleged in applicant's application Serial No. 76417210. Thus, priority rests with opposer, and as we have previously found, there is no question that there is a likelihood of confusion.

Decision: The oppositions are sustained.