

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

Mailed: May 21, 2008

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Mrs. Jean T. Nicholson;
Ms. Virginia T. Toogood;
The Trustees of the Dean and Jean T. Nicholson Family Trust,
comprising Dean and Jean T. Nicholson, U.S. citizens; and
The Trustee of the Virginia T. Toogood Family Trust, the
trustee comprising Virginia T. Toogood ("opposers")
v.
Gott Brothers Development, LLC ("applicant")

Opposition No. 91171444
to application Serial No. 78633881

Patrick McGovern, Esq. for opposers.

Katja Loeffelholz of Gaw Van Male Smith Myers Miroglio, PLC
for applicant.

Before Drost, Zervas and Cataldo,
Administrative Trademark Judges.

Opinion by Cataldo, Administrative Trademark Judge:

An application was filed by the above-named applicant
to register the mark TAYLOR'S REFRESHER in typed or standard
character form for "restaurant services" in International
Class 43.¹ Registration was opposed by the above-named

¹ Application Serial No. 78633881 was filed on July 20, 2005
based upon applicant's assertion of February 3, 2004 as the date
of first use of the mark anywhere and in commerce in connection
with the services.

opposers on the following grounds: that applicant is not the owner of the mark for which registration is sought; priority and likelihood of confusion; disparagement and false suggestion of a connection with opposers; fraud; and dilution. Applicant, in its answer, denied the salient allegations of the notice of opposition and asserted as affirmative defenses the prior registration, or Morehouse, defense; estoppel; unclean hands; laches; acquiescence; mistake; and fraud.²

Issues Before the Board

Preliminarily, we must determine what grounds and defenses have been tried by the parties and are before us in this case. In the "STATEMENT OF THE CASE AND ISSUES" in their brief, opposers identify the following as issues in this case: that applicant is not entitled to registration of the TAYLOR'S REFRESHER mark inasmuch as it is not the owner thereof; and fraud. Applicant, for its part, identifies in the "STATEMENT OF ISSUES" in its brief the following issues: the prior registration, or Morehouse, defense; abandonment by opposers of the TAYLOR'S REFRESHER mark through nonuse; naked licensing by opposers of the

² Applicant further asserted as an affirmative defense that the notice of opposition fails to state a claim upon which relief can be granted. However, inasmuch as applicant did not file a motion under Fed. R. Civ. P. 12(b)(6) by means of which the sufficiency of the notice of opposition could be tested, this affirmative defense has been given no consideration.

TAYLOR'S REFRESHER mark to applicant; and acquiescence.

We observe that while the related issues of abandonment and naked licensing are unpleaded, both opposers and applicant argued these issues in their briefs and neither objected thereto. We further observe that these matters relate to the pleaded issue of ownership of the TAYLOR'S REFRESHER mark. Accordingly, we consider the issues of abandonment and licensing to have been tried by the implied consent of the parties, such that we can treat the pleadings to be amended pursuant to Fed. R. Civ. P. 15(b) to include them.

The Record

The record consists of the pleadings and the file of the involved application. In addition, opposers submitted the testimony, with related exhibits, of Virginia T. Toogood and Jean Taylor Nicholson. Opposer's further submitted by notice of reliance the discovery depositions, with related exhibits, of applicant's principals Duncan Bux Gott and Joel Austin Gott; its written discovery requests upon applicant and applicant's responses thereto; a copy of the April 1, 1999 lease agreement between Jean T. Nicholson and Virginia T. Toogood as landlords and applicant as tenant;³ copies of printed advertisements; and a printed copy of a Corporation

³ This document was submitted by notice of reliance under seal by stipulation of the parties, Duncan Gott deposition, p. 91-93.

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Grant Deed to opposers, a public record showing recordation on December 19, 2005 in the County of Napa, California for the property upon which, inter alia, the TAYLOR'S REFRESHER restaurant is located.

Applicant, for its part, submitted the trial testimony, with related exhibits, of Duncan Bux Gott and Joel Austin Gott. Applicant further submitted by notice of reliance a status and title copy of its Registration No. 2710978, issued on April 29, 2003 for the mark TAYLOR'S AUTOMATIC REFRESHER for "restaurant services" in Class 43; and applicant's written discovery requests upon opposers and opposers' responses thereto.

The parties have designated portions of the record as "confidential." While the information contained therein plays a role in determining the issues before us, we are mindful that such information was filed under seal. Thus, we will endeavor to refer to those portions of the record that are marked confidential only in a very general fashion.

Both parties filed main briefs on the case, and opposers filed a reply brief.

Evidentiary Objections

Opposers have filed an objection to applicant's reliance upon the discovery depositions of Virginia T. Toogood and Jean T. Nicholson, appended to applicant's main brief on the case, as well as the discovery deposition of

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Thomas Cary Gott, a principal of applicant, as evidence in this case. We agree with opposers that applicant failed to make the discovery depositions of Ms. Toogood and Mrs. Nicholson of record by notice of reliance or otherwise during its assigned testimony period. See Trademark Rule 2.120(j). See also generally TBMP §707 and the authorities cited therein. We further agree with opposers that because a discovery deposition may only be offered in evidence by an adverse party, applicant is precluded from offering in evidence the discovery deposition of Mr. Gott. See *Id.*

Accordingly, these depositions are not of record, and will be given no consideration in our determination herein.

General Facts

The following facts are not in dispute. In 1949, Lloyd "Popsy" Taylor, father of opposers Virginia T. Toogood and Jean T. Nicholson, established in St. Helena, California a restaurant named TAYLOR'S REFRESHER on a piece of property owned by him and his wife. Mr. Taylor and various family members operated the restaurant until 1968.⁴ Opposers Ms. Toogood and Mrs. Nicholson were added to the deed to the property upon which the restaurant is located upon the death of their mother in 1954. Upon the death of Mr. Taylor in 1989, Ms. Toogood and Mrs. Nicholson inherited all of his

⁴ Parties' stipulation, Toogood Testimony p. 13-15, 23-4; Nicholson Testimony, p. 8-10, 16.

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real and personal property.⁵ Subsequently, the property was transferred into their respective family trusts, where title is presently held.⁶

From 1968 until February 17, 1998, Ms. Toogood and her now-deceased husband operated the TAYLOR'S REFRESHER restaurant with the help of family members. Operation of the TAYLOR'S REFRESHER restaurant by opposers and their predecessors in interest was continuous from 1968 until February 1998. On February 17, 1998, opposers entered into a lease of the TAYLOR'S REFRESHER restaurant with Annette Parks for the term of one year.⁷ During the term of her lease, Ms. Parks continuously operated the TAYLOR'S REFRESHER restaurant. The lease continued by agreement with opposers on a month to month basis until terminated in April 1999.⁸

On April 1, 1999, opposers entered into a 15-year lease with applicant for the property that includes the TAYLOR'S REFRESHER restaurant.⁹ The lease requires applicant to maintain the use permits for the businesses located thereupon, including the TAYLOR'S REFRESHER restaurant, in full force and effect for the duration of the lease.¹⁰ The lease further provides opposers a right to enter and take

⁵ Toogood Testimony, p. 10-11, Exhibit A.

⁶ Id., Exhibit P.

⁷ Parties' stipulation, supra.

⁸ Toogood Testimony, p. 16-21, Exhibits B and C.

⁹ Toogood Testimony, Exhibit F. Opposer's Notice of Reliance.

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over the premises and operations in the event that applicant failed to maintain these use permits.¹¹ The lease notes applicant's "presently anticipated plans ... to utilize the Taylor's Refresher portion of the Premises for a new or remodeled restaurant use ..."¹² The lease provides in addition for a percentage rent based upon the revenues of the businesses operating there.¹³ The lease does not specifically require applicant either to utilize the TAYLOR'S REFRESHER mark in connection with the restaurant or to operate such a restaurant under another name. Nonetheless, Ms. Toogood gave applicant her consent to use the TAYLOR'S REFRESHER mark in connection with the restaurant located on the leased premises.¹⁴ However, opposers did not consent to use of the TAYLOR'S REFRESHER mark in connection with restaurant services in other locations.¹⁵

Upon execution of the above noted lease, applicant engaged in extensive remodeling of the TAYLOR'S REFRESHER restaurant.¹⁶ On September 24, 1999, applicant opened and proceeded to successfully operate TAYLOR'S AUTOMATIC REFRESHER restaurant at the location of the former TAYLOR'S

¹⁰ Lease Section 1.6.1.

¹¹ Id. at 1.6.2.

¹² Id. at 1.5.1.

¹³ Id. at 4.2, 4.3.

¹⁴ Applicant's response to opposers' Request for Admission No. 8.

¹⁵ Applicant's response to opposers' Request for Admission Nos. 9 and 10.

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REFRESHER restaurant on the property leased from opposers.¹⁷ On March 5, 2002, applicant filed its application for the mark TAYLOR'S AUTOMATIC REFRESHER, which issued as Registration No. 2710978 on April 29, 2003.¹⁸ On February 3, 2004, applicant opened a restaurant under the name TAYLOR'S AUTOMATIC REFRESHER in San Francisco, California.¹⁹ On March 9, 2005, opposers Ms. Toogood and Mrs. Nicholson indicated to applicant that they were consulting with legal counsel regarding the "use of Taylor's name, location & history."²⁰

The parties agree that the mark TAYLOR'S REFRESHER is inherently distinctive in relation to restaurant services.²¹ The parties further agree that opposers have neither assigned the TAYLOR'S REFRESHER mark, nor transferred the goodwill in the mark or business, to applicant.

Standing

Standing requires only that opposers have a real interest in this proceeding. See Section 14 of the Trademark Act, 15 U.S.C. § 1064; and Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982). In this case, opposers, through their

¹⁶ Discovery deposition of Duncan Gott, 68-69; Toogood Testimony, Exhibit F.

¹⁷ Joel Gott Testimony, p. 12-13.

¹⁸ Applicant's notice of reliance.

¹⁹ Joel Gott Testimony, p. 33.

²⁰ Toogood Testimony, Exhibit S.

²¹ Applicant's response to opposers' Request for Admission No. 22.

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testimony and related exhibits, have established that they and their predecessors in interest have used the mark TAYLOR'S REFRESHER in connection with restaurant services. Opposers have asserted, inter alia, a likelihood of confusion claim directed toward applicant's use of a highly similar mark for identical services. Thus, opposers have demonstrated that they possess a real interest in this proceeding beyond that of a mere intermeddler, and a reasonable basis for their belief of damage. See *Ritchie v. Simpson*, supra. See also *Lipton Industries, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185 (CCPA 1982). We further note that applicant does not contest opposers' standing to bring this opposition.

We find, therefore, that opposers have proven their standing to bring the instant opposition proceeding.

Affirmative Defenses

Prior to our consideration of the grounds for opposition that were pleaded and deemed to be pleaded herein, we first will determine whether opposers' claims are barred by applicant's affirmative defenses.

Turning to applicant's assertion of the Morehouse defense, we observe that on December 3, 2007, opposers brought a petition to cancel applicant's prior Registration

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No. 2710978, upon which this defense is based.²² It is settled that, as a matter of law, the Morehouse defense is not available to a defendant in a Board proceeding if the plaintiff has petitioned to cancel the prior registration. See, for example, *Hornblower & Weeks Inc. v. Hornblower & Weeks Inc.*, 60 USPQ2d 1733 (TTAB 2001).

Accordingly, we find that the prior registration defense is not available to applicant, and that such defense cannot, as a matter of law, serve as a bar to opposer's claims herein.

As for the affirmative defense of acquiescence, we observe that as a general rule, the equitable defense of acquiescence in an opposition or cancellation proceeding does not begin to run until the mark is published for opposition. See *Krause v. Krause Publications Inc.*, 76 USPQ2d 1904 (TTAB 2005). Cf. *National Cable Television Association, Inc. v. American Cinema Editors Inc.*, 937 F.2d 1572, 19 USPQ2d 1424 (Fed. Cir. 1991) [laches runs from the time from which action could be taken against the trademark rights inhering from registration].

Opposers brought this opposition proceeding on June 20, 2006, just four months after the February 21, 2006 publication date of the application. Moreover, the Board

²² Cancellation No. 92048541 currently is suspended pending the disposition of the instant opposition proceeding.

mailed to applicant copies of the March 21, 2006 and April 13, 2006 communications granting opposers' requests for extension of time to oppose, respectively filed on the same dates. Thus, applicant was on notice as early as the last week of March 2006 of the potential for opposers to file the instant opposition. This relatively short period cannot be viewed as an unreasonable delay.

Accordingly, we find that proofs of opposer's claims are not barred by acquiescence.

Abandonment

We turn then to the issue of whether opposers have abandoned their mark and, therefore, whether they lack superior rights in the TAYLOR'S REFRESHER mark. In this connection, the effect of abandonment has been described as follows:

Once abandoned, the mark reverts back to the public domain whereupon it may be appropriated by anyone who adopts the mark for his or her own use. Hence a party that is found to have abandoned its mark is deprived of any claim of priority in the mark before the date of abandonment and may regain rights in the mark only through subsequent use after the time of abandonment.

See General Cigar Co., Inc. v. G.D.M., Inc., 988 F.Supp 647, 45 USPQ2d 1481, 1489 (S.D.N.Y. 1997), quoting *Dial-A-Matress Operating Corp., v. Matress Madness, Inc.*, 841 F.Supp 1339, 33 USPQ2d 1961, 1972-73 (E.D.N.Y. 1994).

In this case, applicant argues that opposers stopped using the TAYLOR'S REFRESHER mark in 1998 when they leased

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the restaurant to Annette Parks. Applicant further argues that opposers have not adduced any credible evidence that they intend, after approximately eight years of non-use, to resume use of the mark in the future. Applicant argues in addition that it did not commence operation until six months after signing the lease with opposers and that, as a result the TAYLOR'S REFRESHER mark, as previously used, lost all goodwill associated with it. Finally, applicant argues that the parties are in a landlord/tenant relationship and have no agreement regarding the licensing of the TAYLOR'S REFRESHER mark; and that applicant's operation of the St. Helena restaurant does not constitute continued use of the TAYLOR'S REFRESHER mark by opposers.

Applicant contends in the alternative that even if opposers own the TAYLOR'S REFRESHER mark and licensed such to applicant, the license contains no provisions for quality control and thus constitutes a naked license. Applicant further contends that the inspection and related provisions in its lease are directed toward the maintenance of the property and fixtures located thereupon, and not toward the maintenance of the quality of the food served in the restaurant. Applicant contends in addition that opposers play no meaningful role in monitoring or ensuring the quality of the food and services at the TAYLOR'S AUTOMATIC REFRESHER restaurant.

Opposers, for their part, maintain that the lease between the parties constitutes

an express license to use the name based on the express inclusion of the use permit, in the name of Taylor's Refresher, in the definition of the Premises leased. This gave Applicant possession of and the right to use the permit held in the name Taylor's Refresher, and hence use of the name. If the Board so finds, such license would terminate at the conclusion of the Lease as with all of tenant's other rights under the lease.²³

Opposers testified that Joel Gott requested, and Ms. Toogood gave, her verbal consent to use the name TAYLOR'S REFRESHER after the lease was signed.²⁴ While applicant denies requesting such permission, applicant acknowledges as noted above that Ms. Toogood so consented to use of the TAYLOR'S REFRESHER mark at the St. Helena restaurant located on the property covered by the parties' lease.²⁵ Opposers further maintain that this verbal consent gives rise to an oral license to use the TAYLOR'S REFRESHER mark at the St. Helena restaurant during the term of the lease.

Opposers contend in the alternative that in the event no express license, oral or written, is found in this case, the terms of the lease constitute an implied license between the parties to use the TAYLOR'S REFRESHER mark at the St. Helena location during the terms of the lease. Opposers further contend that such license only exists during the

²³ Opposers' brief, p. 7-8.

²⁴ Toogood Testimony, p. 31-32.

²⁵ Applicant's response to opposers' Request for Admission No. 8.

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term of the lease and that applicant's use of the mark and any attendant increase in goodwill resulting from their efforts inures to the benefit of opposers in their capacity as landlord. Opposers contend in addition that all of applicant's rights to possession of the property upon which the St. Helena restaurant is located, utilization of the use permit therefor, and operation of the restaurant itself, derive solely from the lease agreement between the parties.

Opposers assert that applicant merely leased from opposers a restaurant that had been in business at that location under that name for fifty years prior to such lease. Opposers further assert and present supporting evidence that applicant attempted to create a sense of continuity with opposers' earlier use and goodwill by means of the following: remodeling the restaurant in such a manner as to maintain the look and feel of a 1950s era diner;²⁶ placing new TAYLOR'S REFRESHER signs on the building that are similar in appearance to the previous signs;²⁷ maintaining a pre-existing sign on the street in front of the restaurant bearing the words "Taylor's Refresher since 1949";²⁸ and taking out an advertisement that states "Taylor's Refresher is coming back soon!" "It looks like a demolition ... but it's actually a remodel!"

²⁶ Toogood Testimony, Exhibits E, J, and K.

²⁷ Id., Exhibit E.

²⁸ Id., Exhibit D.

"Taylor's will be standing for another 50 years!" and further states "We are searching out some local history. We would love to hear your favorite short story about Taylor's, or see any cool pictures of you at Taylor's."²⁹

Finally, opposers argue that there is no evidence to support applicant's contention that opposers have abandoned their rights in the TAYLOR'S REFRESHER mark. To the contrary, opposers argue that they presented both testimony and evidence that they have considered resuming operation of the restaurant at the conclusion of the lease with applicant.³⁰ Opposers further argue that the provisions of the parties' lease agreement provide for sufficient quality control by opposers of applicant's operation. Opposer argues in addition that both parties agree that the quality of food and service has improved under applicant's operation, such that opposers could reasonably rely upon applicant's own quality control.

Section 45 of the Trademark Act provides, in pertinent part, that a mark is abandoned when the following occurs:

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

²⁹ Id., Exhibit L.

³⁰ Toogood Testimony, p. 29-31, 41-42, Exhibit I.

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A party claiming abandonment has the burden of establishing the case by a preponderance of the evidence. Introduction of evidence of nonuse of the mark for three consecutive years constitutes a prima facie showing of abandonment and shifts the burden to the party contesting the abandonment to show either evidence to disprove the underlying facts triggering the presumption of three years nonuse, or evidence of an intent to resume use to disprove the presumed fact of no intent to resume use. See *Rivard v. Linville*, 133 F.3d 1446, 45 USPQ2d 1374 (Fed. Cir. 1998); *Imperial Tobacco Ltd. v. Philip Morris Inc.*, 899 F.2d 1575, 14 USPQ2d 1390 (Fed. Cir. 1990); *Cerveceria Centroamericana S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 13 USPQ2d 1307 (Fed. Cir. 1989); and *Stromgen Supports, Inc. v. Bike Athletic Company*, 43 USPQ2d 1100 (TTAB 1997). The burden of persuasion remains with the party claiming abandonment to prove abandonment by a preponderance of the evidence. See *Online Careline Inc. v. America Online Inc.*, 229 F.3d 1080, 56 USPQ2d 1471 (Fed. Cir. 2000).

Based upon the testimony and evidence adduced by the parties herein, we make the following findings. Opposers and their predecessors in interest own, and from 1949 until 1998, continuously operated, a restaurant known as TAYLOR'S REFRESHER in St. Helena, California. In February 1998, opposers leased the TAYLOR'S REFRESHER restaurant for one

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year to Annette Parks, who operated such restaurant until April 1999. In April 1999, opposers then leased, inter alia, the TAYLOR'S REFRESHER restaurant to applicant herein for a period of 15 years. The lease between the parties is silent as to the requirement that applicant operate such restaurant under the TAYLOR'S REFRESHER, or any other, name. Ms. Toogood, one of the opposers herein, verbally consented to applicant's use of the TAYLOR'S REFRESHER mark in connection with applicant's operation of such restaurant. Opposers did not consent to applicant's use of the TAYLOR'S REFRESHER mark in connection with restaurants located in other locations. Applicant, since September 1999, has operated the St. Helena restaurant under the names TAYLOR'S REFRESHER and TAYLOR'S AUTOMATIC REFRESHER.

Based upon the foregoing, we find that opposers granted an oral license to applicant for use of the TAYLOR'S REFRESHER mark in connection with applicant's operation of the restaurant in the St. Helena location covered by the parties' lease. While applicant denies that it requested opposers' permission to use the TAYLOR'S REFRESHER mark, it does not dispute that opposers granted such permission, or that it proceeded to operate the leased restaurant under that name. As such, applicant's use of the TAYLOR'S REFRESHER mark is use by a licensee that inures to the benefit of opposers. See *Stetson v. Howard D. Wolf &*

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Assoc., 955 F.2d 847, 21 USPQ2d 1783 (2d Cir. 1992).

Inasmuch as we have found that a license exists between the parties regarding use of the TAYLOR'S REFRESHER mark, we agree with opposer that applicant is estopped from challenging the validity of the agreement on the basis of lack of quality control. Because applicant is challenging the agreement based on facts which occurred during the time frame of the "license," that is, during the time from Ms. Toogood's permission to use the TAYLOR'S REFRESHER mark up to the present time which is still covered by the 15 year lease agreement, we find that applicant is estopped under the doctrine of licensee estoppel from asserting that such agreement is a naked license based upon opposers' asserted lack of quality control. See Garri Publication Associates Inc. v. Dabora Inc., 10 USPQ2d 1694, 1697 (TTAB 1988). See also, for example, Arleen Freeman v. National Association Of Realtors, 64 USPQ2d 1700 (TTAB 2002); Estate of Biro v. Bic Corp., 18 USPQ2d 1382 (TTAB 1991); and 3 McCarthy on Trademarks and Unfair Competition §18:63 (4th ed.).

Furthermore, we are not persuaded that opposers' goodwill in the TAYLOR'S REFRESHER mark was extinguished by its cessation of operation of the St. Helena restaurant in 1998. As noted above, opposers leased operation of the restaurant to Annette Parks under the TAYLOR'S REFRESHER mark upon their cessation of the day to day operation

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thereof and then to applicant upon cessation of Ms. Parks' operation of the restaurant. Nor are we persuaded that applicant's own delay of six months between signing its lease with opposers and the reopening of the restaurant caused the TAYLOR'S REFRESHER mark to lose all goodwill associated with it from opposers' previous use. As noted above, applicant's own actions in using the mark, as well as using pre-existing signage for the mark including the notation "since 1949," and stating in its advertisements that the restaurant would stand for "another 50 years" suggest applicant's attempts to evoke opposers' and its predecessors' use of the TAYLOR'S REFRESHER mark and build upon their goodwill.

In other words, even if we discount Annette Parks' fourteen month period of less successful operation and consider applicant's six-month period of nonuse, applicant presently operates under lease from opposers a restaurant under the same name and in the same location as that operated by opposers and its predecessors for 50 years. It appears somewhat inconsistent for applicant to argue that such use, especially given opposers' oral licensing of the TAYLOR'S REFRESHER mark to applicant and applicant's evocation of opposers' earlier use, represents an extinguishing of opposers' goodwill in the mark or an abandonment of the same by opposers. We find, therefore,

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that the record before us simply does not support a finding that opposers have abandoned the TAYLOR'S REFRESHER mark.

In summary, we find that opposers are the owners of the TAYLOR'S REFRESHER mark; that such use is continuing since 1949 and has not been abandoned; and that applicant's use of the TAYLOR'S REFRESHER mark is as a licensee of opposers. Accordingly, the opposition is sustained on the ground that applicant is not the owner of the mark for which registration is sought, and registration to applicant is refused.

Fraud

Inasmuch as we have found that applicant is not the owner of the mark for which it seeks registration, we need not and do not reach the parties' arguments regarding the issue of fraud.

DECISION: The opposition is sustained.