

Oral Hearing:
June 10, 2008

**THIS OPINION IS
NOT A PRECEDENT
OF THE TTAB**

Decision Mailed:
September 30, 2008
GDH/gdh

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Environmental Dynamics, Inc.
v.
Stamford Scientific International, Inc.

Cancellation No. 92045054

Richard R. Johnson and David L. Rein Jr. of Blackwell Sanders LLP
for Environmental Dynamics, Inc.

Albert Robin of Cowan, Liebwitz & Layman, P.C. for Stamford
Scientific International, Inc.

Before Hohein, Holtzman and Mermelstein, Administrative Trademark
Judges.

Opinion by Hohein, Administrative Trademark Judge:

Environmental Dynamics, Inc. ("petitioner" or "EDI")
has petitioned to cancel the registration owned by Stamford
Scientific International, Inc. ("respondent" or "SSI") of the
mark "AIRFLEX" for "water cleaning equipment, namely diffusing
units for aerating sewage and industrial wastewater" in
International Class 11.¹

¹ Reg. No. 2,819,700, issued on March 2, 2004 from an application filed
on October 10, 2002, which sets forth a date of first use anywhere and
in commerce of the mark of July 20, 1998.

Petitioner, in seeking cancellation, alleges among other things that it "is and has been for many years engaged in the design, manufacture, advertising and sale of water and wastewater treatment equipment and components of such equipment, including diffusing units for aerating sewage and industrial wastewater"; that "[c]ontinuously since at least 1986, ... petitioner has referred to a line of its diffusing units as FLEXAIR diffusers in correspondence, literature, packaging, manuals and on the diffusers"; that "petitioner has continuously used in interstate commerce the trademark FLEXAIR on its diffusing units since long prior to the registrant's first use of the trademark AIRFLEX on its diffusing units"; that "petitioner sells diffusing units under its mark FLEXAIR that are identical to and directly competitive with the diffusing units sold by the registrant under the mark AIRFLEX"; and that "[t]he trademark AIRFLEX is confusingly similar to the trademark FLEXAIR when used on the identical goods of the parties, and its registration and continued use by the registrant is likely to cause confusion, deception and mistake"

As an additional ground, petitioner alleges that "[t]he registration should be cancelled because it was obtained fraudulently in that (a) the petitioner was using its mark FLEXAIR in connection with diffusers at the time the federal application was signed by the registrant, (b) the petitioner had superior rights in its mark FLEXAIR, (c) the registrant knew of the petitioner's prior use of the mark FLEXAIR and the petitioner's superior legal rights, and knew that confusion was

likely if the parties used their confusingly similar marks on identical goods, and had no reasonable basis for believing there is no likelihood of confusion, and (d) the registrant failed to disclose its knowledge of items (a)-(c) to the PTO with the intent to obtain a registration to which it is not entitled"; that prior to registrant's first use of its AIRFLEX mark, petitioner and registrant "collaborated in connection with the sale of diffusers, and in the course of this relationship the registrant was aware that the petitioner had a line of FLEXAIR tubular diffusers and had actually purchased FLEXAIR tubular diffusers from the petitioner"; that "registrant was aware that these tubular diffusers were sold under the petitioner's mark FLEXAIR because such mark was on the diffusers purchased by the registrant from the petitioner, as well as on accompanying installation, operation and maintenance manuals and technical support documents"; that "[w]ith knowledge of the petitioner's FLEXAIR tubular diffusers, the registrant began manufacturing components of the petitioner's disk diffusers" and, "[a]t the request of the petitioner, the registrant marked those components of the petitioner's products with the petitioner's mark FLEXAIR"; that "registrant later began using the mark AIRFLEX on the same disk diffuser components it had manufactured for the petitioner under the petitioner's mark FLEXAIR with full knowledge that confusion is likely"; that "[a]t the time the registrant first used the mark AIRFLEX, the registrant was well aware that the petitioner's mark FLEXAIR was known and highly regarded in the trade, and the registrant deliberately intended to usurp and

benefit from the petitioner's reputation and goodwill when it began using the confusingly similar mark AIRFLEX"; and "[d]espite knowing of the petitioner's prior use and superior rights, the confusingly similar nature of the petitioner's mark FLEXAIR, and the fact that confusion was likely, the registrant failed to inform the PTO of this information with deceptive intent, bad faith, and to fraudulently obtain a registration to which it knew it is not entitled."

Respondent, in its answer, admits that petitioner "is and has been for many years engaged in the design, manufacture, advertising and sale of water and wastewater treatment equipment and components of such equipment, including diffusing units for aerating sewage and industrial wastewater"; that petitioner has used the mark "FLEXAIR" on some of its diffusing units; that with knowledge of petitioner's "FLEXAIR" tubular diffusers, respondent began manufacturing components of petitioner's disc diffusers; and that, at the request of petitioner, respondent marked such components of petitioner's products with petitioner's mark "FLEXAIR." Respondent denies, however, the remaining salient allegations of the petition to cancel, including the allegation that the diffusing units which petitioner sells under the mark "FLEXAIR" are identical to the diffusing units sold by registrant under the mark "AIRFLEX."

In addition, respondent alleges as affirmative defenses that petitioner was aware that respondent was using the mark "AIRFLEX" on diffusers as early as 1998; that as early as 1999, respondent not only supplied petitioner with products marked with

petitioner's mark "FLEXAIR," but also supplied petitioner with products marked with respondent's mark "AIRFLEX"; that the application which matured into respondent's involved registration was published on October 7, 2003 and petitioner should have been aware of such application by that time; that notwithstanding petitioner's knowledge of registrant's use and registration of the "AIRFLEX" mark, petitioner "never complained about registrant's use or registration of AIRFLEX until June 30, 2005"; that "[b]y reason of the matters aforesaid, Petitioner has acquiesced in Registrant's use and registration of AIRFLEX and is estopped to seek cancellation of its Registration [N]o. 2819700"; and that likewise, "[b]y reason of the matters aforesaid, Petitioner is guilty of laches which disentitle it to the relief sought in the Petition for Cancellation."²

The record consists of the pleadings; the file of the involved registration; the testimony and exhibits thereto, submitted by petitioner as part of its case-in-chief, of its owner and president, Charles E. Tharp;³ respondent's admissions

² Although respondent also alleges, as an affirmative defense, that "[i]nsofar as the Petition for Cancellation purports to state a claim based upon fraud, it fails to state the elements constituting fraud with the particularity required by Rule 9(b) of the Federal Rules of Civil Procedure, and fails ... [therefore] to state a claim upon which relief can be granted," we find such defense is without merit inasmuch as the claim of fraud is pleaded with the requisite particularity.

³ Respondent, in its brief, correctly notes that following the deposition on November 16, 2006, the witness "made two sets of errata sheets, the first dated December 21, 2006, and the second dated February 14, 2007." While also accurately observing that "many of the changes made in the errata sheets were to correct 'typographical' errors," respondent strenuously asserts that as to other changes, "at least two were made to the substance of the testimony." As to the substantive changes, respondent refers to TBMP §703.01(n) (2d ed. rev. 2004), which provides in relevant part that:

with respect to certain of petitioner's requests for admissions, submitted by petitioner pursuant to a notice of reliance thereon as the remainder of its case-in-chief; the testimony and exhibits thereto, filed by respondent as its case-in-chief, of its co-founder and co-owner, Thomas E. Frankel;⁴ and respondent's

While corrections may be made in a transcript, to make the transcript an accurate record of what the witness said during the taking of his or her testimony, material changes in the text are not permitted--the transcript may not be altered to change the testimony of the witness after the fact.

Further asserting that the witness "not only changed the substance of his testimony, but he also changed the substance of the questions" in some instances, respondent maintains that "[i]t would not be a sufficient remedy for such conduct for the Board simply to ignore the improper changes"; instead, "[t]he only sufficient remedy is to disregard all of Tharp's testimony on the subject of EDI's knowledge of SSI's use of AIRFLEX in the United States," which would result in striking substantial portions of the deposition.

Petitioner, in its reply brief, states in response that it "agrees that to the extent that a correction made a substantive change in the testimony, the change may be disregarded," citing *Marshall Field & Co. v. Mrs. Fields Cookies*, 25 USPQ2d 1321, 1325 (TTAB 1992). It also concurs that a certain change complained of should not have been made and indicates that if, as to others, "SSI would like the testimony ... to remain as it is without the corrections so that the reference is to all SSI products instead of AIRFLEX products particularly," then it "does not have any objection to leaving the testimony uncorrected." Finally, petitioner points out that respondent "does not offer any authority for the suggestion that the Board should strike Mr. Tharp's testimony" and correctly notes, instead, that "SSI's own authority states that the remedy is that if the objected change is substantive, the Board should disregard the change," which we have done. See, e.g., *Entex Indus., Inc. v. Milton Bradley Co.*, 213 USPQ 116, 117 n.2 (TTAB 1982).

⁴ Petitioner, in its reply brief, reiterates the objections it raised during the deposition to the admissibility of documents constituting respondent's exhibits L, M, N, O, P, Q, R, S, T, V, and AA and Mr. Frankel's testimony with respect thereto. Petitioner insists that such documents should have been produced pursuant to one or more of the following requests for production: Request No. 18 for "[a]ll documents relating to each project in the United States or its territories and possession involving the sale by SSI of AIRFLEX diffusers"; Request No. 20 for "[a]ll documents relating to each project where SSI AIRFLEX diffusers were offered for sale"; and Request No. 27 for "[a]ll documents relating to competition between SSI and EDI regarding the sale of diffusers." Respondent, citing TBMP §414(3) (2d ed. rev. 2004) for the proposition that "the names of

responses to petitioner's requests for production of documents, filed by petitioner pursuant to a notice of reliance thereon as its rebuttal evidence.⁵ Both parties filed a main brief and

customers constitute confidential information, and generally are not discoverable, even under protective order," objected to each of such requests on the grounds that "the documents sought neither relate to the subject matter involved in this proceeding nor are reasonably calculated to lead to the discovery of admissible evidence" and that "the names of its customers constitute confidential information which are not discoverable even with a protective order." Respondent also objected to Request No. 27 on the ground that because "registrant is a direct competitor of petitioner and such competition occurs on a regular basis," the request "is unduly burdensome." Petitioner contends, however, that the Board "should not allow a party to refuse to respond to a discovery request on the ground of confidentiality and then introduce in its trial testimony the very information it refused to produce," citing *Super Valu Stores Inc. v. Exxon Corp.*, 11USPQ2d 1539, 1543 (TTAB 1989) ["a party may not refuse to furnish information in response to a discovery request on the ground of 'confidentiality,' as applicant did here, and then introduce evidence on such matters during its trial period"] and *Visual Information Institute, Inc. v. Vicon Indus. Inc.*, 209 USPQ 179, 182 (TTAB 1980) ["[i]t is established that a party may not refuse to furnish information in response to a discovery request on the ground of 'confidentially' or 'relevancy' and then turn around and introduce evidence on these matters during its trial period. To condone a practice such as this would serve only to thwart the purpose and intent of the discovery practice outlined in the Federal Rules of Civil Procedure designed to provide an expeditious procedure for the acquisition of information necessary to prepare a party for trial"]. Petitioner therefore maintains that "[e]xhibits L, M, N, O, P, Q, R, S, T, V, and AA and the corresponding testimony should not be considered."

While petitioner's production requests are overbroad in seeking "all documents," respondent nonetheless was obligated to have produced a representative sample of documents in the case of those requests which are not otherwise objectionable. Here, the fact that respondent sought to introduce certain documents requested by petitioner shows that, contrary to respondent's objections, it regarded the documents as relating to the subject matter involved in this proceeding and was not concerned with preserving the confidentiality of customer names. In view thereof, we are constrained to agree with petitioner that respondent's tactics are impermissible and that consequently the documents marked as exhibits L, M, N, O, P, Q, R, S, T, V, and AA to the Frankel deposition and the corresponding testimony with respect thereto must be deemed inadmissible. Petitioner's objections are accordingly sustained and such evidence has not been given further consideration.

⁵ Although responses to requests for production of documents are not proper subject matter for a notice of reliance, see Trademark Rule 2.120(j)(3)(ii) and TBMP §704.11 (2d ed. rev. 2004), respondent in its brief has acknowledged that such responses form part of the record herein. Accordingly, the responses are deemed to have been stipulated

petitioner submitted a reply brief. Both parties were also represented by counsel at the oral hearing held on this case.

According to the record, petitioner was incorporated in 1975 and started doing business in 1976. Petitioner began with the marketing of home wastewater treatment plants and small package wastewater treatment plants, with developers being the primary customers for such goods. From initial annual sales thereof of \$20,000, petitioner expanded its activities nationally in the United States to providing wastewater treatment aeration solutions for major municipalities and private industrial companies. Petitioner's most recent sales of such goods were about \$11.8 million in 2004, \$18.3 million in 2005 and a projection of about \$19 million for 2006.

Wastewater treatment involves three general steps or processes. Primary treatment involves removal of large organic and inorganic solids, which settle out (that is, fall to the bottom) because their specific gravity is greater than that of water. The wastewater which remains then typically goes to a bioreactor for secondary treatment involving an aerobic process designed to foster or optimize the growth of aerobic organisms through the introduction of oxygen. While, without help, such organisms would float to the bottom rather than staying in solution and interacting with the material they are supposed to

into the record pursuant to Trademark Rule 2.123(b) for whatever probative value they may have as rebuttal evidence, notwithstanding that it appears that the responses were submitted by petitioner solely to substantiate its objections to certain exhibits and the testimony with respect thereto offered by respondent in its deposition of Mr. Frankel.

treat, the process that keeps the organisms suspended and bumping into the material being treated is accomplished by the goods which petitioner specializes in: aeration and mixing systems, including air or oxygen diffusers. As Mr. Tharp explained, the aeration process typically involves a piping system located on the floor of the bioreactor to which diffusers are attached. Air is pumped through the pipes and into each diffuser unit which bubbles or diffuses the air into the wastewater being treated. Diffusers come in different configurations, including disc diffusers, tube diffusers and panel diffusers. After aeration treatment, the organisms are allowed to settle to the bottom, with some returned to the bioreactor to continue the process, and the rest are removed from the bottom and disposed of along with usually a tertiary stage of final treatment of the remaining wastewater, such as disinfecting and/or filtering.

Petitioner "offer[s] a family of diffusers that are all membrane diffusers." (Tharp dep. at 20.) Starting, in particular, "in 1987, '88," petitioner "developed the flexible membrane diffuser type in the FlexAir trade name and then used it for the tube diffusers" as well. (Id.) According to Mr. Tharp, when asked if it is "fair to say that all of the diffusers that have been offered since 1988 have been labeled ... with the FlexAir mark," he replied: "That's correct." (Id. at 21.) Likewise, he testified that:

Q. You have used the FlexAir mark continuously since 1988?

A. That is correct.

(Id. at 25.) While petitioner owns a federal registration on the Principal Register for the mark "FLEXAIR" in standard character form for "air diffusers for aerating water and wastewater"⁶ {petitioner's Ex. 16), the testimony and exhibits establish that it primarily uses such mark in the following format: "FlexAir."

As to the percentage of petitioner's sales which are attributable to its sales of diffusers and diffuser systems, Mr. Tharp testified that:

Well, the diffusers are an integral part of anything we sell. We may sell only the membranes for the replacement for someone else's product. We may sell the entire assembly out of our Diffuser Express group where it's sold as a commodity item. We may sell the entire assembly with piping and the pipe supports. In some cases, we have the blowers and other items that go with it, but if it doesn't have a diffuser and it isn't biological treatment, we probably do not participate.

(Id. at 21.) Petitioner typically markets its "FlexAir" products in a variety of marketing channels. With respect to the municipal market, it has "multiple representatives ... throughout the United States where they are calling on consulting engineers ... or customers and presenting either the product for sale directly or presenting a specification and detailed technical support to a consulting engineer for him to specify the equipment, so that we can hopefully be successful with a contractor after those come out for bid." (Tharp dep. at 31.) Petitioner does not sell through distributors, however.

⁶ Reg. No. 3,132,263, issued on August 22, 2006 from an application filed on September 2, 2005, which sets forth a date of first use anywhere and in commerce of the mark of June 1, 1988.

On the other hand, in terms of sales to US industry, Mr. Tharp noted that:

[W]e typically sell direct in many cases with our own technical sales staff. We have an online sales group called Diffuser Express that's a division of EDI. Those are sold online where people simply call in and describe the product out of our catalog. We furnish that product that they ask for with no technical requirements or system design requirements.

(Id. at 31.) Petitioner's Diffuser Express division thus "is used to handle ... diffusers and replacement parts that do not require an extensive amount of engineering support." Such division basically sells "commodity items that we would have in stock" in that petitioner receives "an order for a given number [of non-engineered products] and there's a fixed price," which is "much like going to the grocery store and picking out what you want" only "doing this online." (Id. at 34-35.) Although petitioner also sells internationally, "it's a little bit different in the fact that we may have what we call key accounts or market partners ..., and it's typically sold where it is an integral part of a system where someone designs, builds, installs" often in partnership with petitioner. (Id. at 31-32.)

Although presently competitors in the sale of diffusers and related products, the parties initially worked together in the sale of such goods. Starting with a letter dated February 6, 1998, respondent wrote petitioner requesting the right to sell abroad diffuser units purchased from petitioner. Prior to such time, Mr. Tharp was not aware of respondent and the parties were not competitors in the United States. Petitioner agreed to

supply respondent with diffusers and membranes for diffusers but only if respondent sold such goods internationally, that is, outside of the United States, inasmuch as petitioner did not want to be in competition with respondent domestically. Building on respondent's development of a holder for petitioner's 9"-disc membrane, petitioner subsequently began buying such holders from respondent for use in the sale of petitioner's "FLEXAIR" diffusers. In short, by mid 1998, petitioner was selling its "FLEXAIR" tube diffusers to respondent and by late 1998 petitioner was selling its "FLEXAIR" membranes to respondent; petitioner was also purchasing membrane holders from respondent for use with petitioner's "FLEXAIR" membranes so as to form petitioner's "FLEXAIR" disc diffusers. Although, during the time in 1998 that the parties were first buying and selling diffusers and holders to each other, petitioner learned that respondent was marking products as "AIRFLEX" which respondent was selling abroad, Mr. Tharp testified that such "was of no concern to us because we were only discussing international sales activities for SSI" and that petitioner's "FLEXAIR" mark "was not of any concern internationally" to petitioner. (Id. at 57.) Petitioner was only "doing a modest amount of international sales," with the bulk of its sales being domestic. (Id. at 59.)

Eventually, petitioner stopped buying membrane holders from respondent in early 2003, which was when petitioner started manufacturing its own disc diffuser holders. However, from 1998 through 2003, petitioner was not aware of respondent selling products in the U.S. marketplace bearing the "AIRFLEX" mark.

According to Mr. Tharp, during such period the parties did not compete directly in the United States and petitioner only occasionally competed with respondent internationally. Mr. Tharp maintains that petitioner did not discover that respondent was in fact selling "AIRFLEX" diffusers in the United States until approximately June of 2005, when petitioner failed to win a project bid as it had expected. Specifically, petitioner had worked with St. John the Baptist Parish in Louisiana to specify that a project would require petitioner's "FLEXAIR" diffusers. Upon losing the bid in which its own brand of equipment had been specified, petitioner investigated and discovered that respondent had not only submitted, at a lower price, a bid to use its "AIRFLEX" diffusers instead of petitioner's "FLEXAIR" diffusers on such project, but had also submitted supporting documents which contained identical or nearly identical language to petitioner's maintenance manuals and specifications.

Petitioner insists that until learning of respondent's successful bid for such project, it did not know that respondent had been selling any products using the "AIRFLEX" mark *in the United States*.⁷ As part of its investigation, petitioner also searched records and discovered that respondent had registered with the U.S. Patent & Trademark Office ("USPTO") the "AIRFLEX" mark which is the subject of this proceeding. However, as noted

⁷ While, on cross examination, Mr. Tharp admitted in this regard that petitioner knew that respondent was using the mark "AIRFLEX" on disc diffuser rings in 1998 or 1999, it never objected to such "because our entire discussion and agreement was that we were going to be marketing both domestically and internationally. They were doing only international as they had done previously." (Tharp dep. at 105.)

previously, petitioner subsequently obtained a registration from the USPTO for its "FLEXAIR" mark for "air diffusers for aerating water and wastewater." Nonetheless, petitioner has experienced incidents of actual confusion involving the parties' marks, which instances involved individuals writing to petitioner with requests that it repair, replace or otherwise resolve issues relating to products which upon investigation involved respondent's "AIRFLEX" units rather than petitioner's "FLEXAIR" diffusers. Petitioner has also had certain documents which appear to have been copied by respondent in that they are identical in all respects to its originals except that the marks "FlexAir" and "AIRFLEX" appearing thereon have been "exchanged" and the company name "EDI has been changed to SSI." (Id. at 84.) However, until this cancellation proceeding with respondent, petitioner was not aware that a third party, AquaTec, was using the mark "FlexAir" because petitioner doesn't compete with AquaTec, due to the fact that it offers systems which petitioner does not.⁸ Moreover, the record is silent as to the extent of such use by AquaTec.

Respondent, on the other hand, is a corporation which Thomas E. Frankel and his colleague and business partner Todd Ritter started around June 1, 1995. Respondent "began as an export management company reselling central vacuum systems, blowers and pumps" to "a broad client base around the world, but

⁸ Mr. Tharp added, on cross examination, that while he would be concerned about such use if AquaTec were a competitor of petitioner, he insisted that in 18 years of sales he has never encountered AquaTec in the marketplace.

not at that time in the U.S. market." (Frankel dep. at 8.)

Respondent expanded its business into export sales of "FlexDisc" membrane diffusers and "SnapCap" tube diffusers and coarse bubble diffusers offered by EnviroQuip Instrument, Inc. A diffuser, according to Mr. Frankel, diffuses compressed air into a body of wastewater with the purpose of transferring a mass of oxygen to that water. Respondent continued doing business with EnviroQuip until early 1997, when EnviroQuip was acquired by U.S. Filter Corp., at which point the latter's sales staff took over and respondent "lost the line." (Id. at 15.)

Deciding that "we no longer wanted to sell somebody else's brand," respondent "decided to make our own diffusers." (Id.) In connection therewith, respondent selected the name "AIRFLEX" because "we wanted some segue from the product we had been selling"; that is, it wanted a mark with continuity to the "FlexDisc" diffusers which it had been selling. Respondent typically uses its mark in either the format "Airflex" or "AIRFLEX"; it does not use "AirFlex." Respondent has continuously used its "AIRFLEX" mark on disc diffusers since 1998, including sales thereof in the United States. Besides such sales, respondent also sells blowers and vacuum systems, "complete systems with piping" and "replacement membranes for our own and other companies' products." (Id. at 162.) Respondent agrees that petitioner and respondent presently are competitors in the sale of disc diffusers, selling such to the same customers, and that there is at least some overlap in the use of sales agents. Respondent also does not dispute that petitioner

first used its "FLEXAIR" mark prior to respondent's first use of its "AIRFLEX" mark.

Although respondent's actual sales were testified to be confidential, Mr. Frankel noted that U.S. sales of respondent's "AIRFLEX" products are "maybe 20 to 25 percent, at most" of respondent's overall diffuser sales. (Id. at 26.) Respondent has experienced continued increases in sales volume since its initial sales in the period spanning 1998-1999. While Mr. Frankel testified that he could not remember whether the date of first use anywhere and in commerce of July 20, 1998 stated in its involved registration was to a U.S. company, the first U.S. sale which he does recall was to a company in Texas in October of 1998. Respondent, furthermore, admits that it was aware of the use of the mark "FLEXAIR" by petitioner in connection with tube diffusers before respondent used its mark "AIRFLEX." Similarly, respondent admits that it was aware of the use of the mark "FLEXAIR" by petitioner in connection with disc diffuser membranes, disc diffusers and tube diffusers before respondent filed its application to register its mark "AIRFLEX." Respondent also admits that it was aware of literature relating to petitioner's "FLEXAIR" diffusers prior to the July 20, 1998 date of first use anywhere and in commerce claimed in its respondent's involved registration.

In connection with the sale of its goods, respondent attends the WEFTEC trade show, an annual affair which is "the largest American wastewater show" according to Mr. Frankel, and has done so every year since 1998. (Id. at 40.) Respondent

sells its products in the U.S. primarily through agents, although it also sells to distributors and OEM customers. Its principal competitors for sales of its "AIRFLEX" products in the U.S. are the Sanitary division of ITT Industries, the Envirex division of U.S. Filter/Siemens and petitioner. While Mr. Frankel does not recall seeing petitioner at WEFTEC, he has no reason to doubt its attendance at such trade show. Respondent also advertises its "AIRFLEX" products in trade magazines and on the Internet.

According to Mr. Frankel, in 1998 respondent was looking for a membrane supplier. Petitioner, however, also represented a potential client to purchase plastic parts from respondent. Mr. Frankel contends that there was no discussion of the geographic territory in which either petitioner or respondent would operate and, in particular, insists that he "absolutely [did] not tell Tharp that [respondent] was interested in confining activities to foreign markets" or that respondent was going to concentrate its efforts in a different marketing area from that of petitioner. (Id. at 67.) He also claims that all tube diffusers which respondent sold to petitioner had the mark "AIRFLEX" thereon because respondent could not change the mold to remove such mark. Respondent's business relationship with petitioner, which started in 1998, consisted of the "purchase of membranes and the sale of plastic parts." (Id. at 75.) Mr. Frankel maintains that, of the items which respondent purchased from petitioner, respondent asked for and petitioner delivered "plain" boxes, including "unmarked" membranes. (Id. at 75-76.) Mr. Frankel also insists that it was Mr. Tharp's wish, "not our

agreement, that we not participate in the U.S. market," but that "it was very clear to him from early on that we were participating in the U.S. market." (Id. at 86-87.) Moreover, in addition to respondent's use of its "AIRFLEX" mark in the United States, Mr. Frankel noted that the following third-party "Flex"-formative marks are in use, although the extent thereof has not been indicated: "Flex-A-Tube"; "Roeflex"; "Uniflex"; "FlexDisc"; "FlexLine"; "Flexazur"; and "RexFlex." Also, as mentioned earlier, Mr. Frankel noted that a company called AquaTec was using the mark "FlexAir" for fine bubble diffusers and tube diffusers.

Turning now to the merits of this case, it should first be noted with respect to the ground of priority of use and likelihood of confusion that there is no real issue that petitioner, rather than respondent, has priority of use. As petitioner states in its main brief and the record makes clear, while "EDI has sold its air diffusers under the mark FLEXAIR since 1988 in the United States," it was not until "1998, approximately ten years after EDI's first use, [that] SSI adopted the mark AIRFLEX for its diffusers." Respondent, in its brief, concedes that "the record is clear that SSI was selling diffusers in the United States in 1998 and that SSI competed with EDI in the United States as early as 1999 and that ... SSI ... was using [the mark] AIRFLEX in connection with that competition." In consequence thereof, the only issue to be determined in this proceeding with respect to petitioner's claim of priority of use and likelihood of confusion is whether confusion is likely from

contemporaneous use by the parties of their respective "FLEXAIR" and "AIRFLEX" marks in connection with air diffusers.

Our determination of whether there is a likelihood of confusion is based on an analysis of all of the facts in evidence which are pertinent to the factors bearing on such issue as set forth in *In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973). See also *In re Majestic Distilling Co.*, 315 F.3d 1311, 65 USPQ2d 1201, 1203 (Fed. Cir. 2003); and *Recot, Inc. v. Becton*, 214 F.3d 1322, 54 USPQ2d 1894, 1896 (Fed. Cir. 2000). However, as indicated in *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 192 USPQ 24, 29 (CCPA 1976), in any likelihood of confusion analysis, two key considerations are the similarity or dissimilarity in the goods at issue and the similarity or dissimilarity of the respective marks in their entireties.⁹ Here, inasmuch as it is plain that petitioner's "air diffusers for aerating water and wastewater" and registrant's "water cleaning equipment, namely diffusing units for aerating sewage and industrial wastewater" are legally identical products, which are commonly known in the trade as simply "air diffusers" and are necessarily sold through the same channels of trade to the same classes of customers, the focus of our inquiry is accordingly on the similarities and dissimilarities in the marks at issue along with such factors as the conditions under which and buyers to whom sales are made,

⁹ The court, in particular, pointed out that: "The fundamental inquiry mandated by §2(d) goes to the cumulative effect of differences in the essential characteristics of the goods and differences in the marks." 192 USPQ at 29.

i.e., "impulse" vs. careful, sophisticated purchasing, and the nature and extent of any actual confusion as well as the length of time during and conditions under which there has been contemporaneous use without evidence of actual confusion.

In this regard, we note that as stated by our principal reviewing court in *Century 21 Real Estate Corp. v. Century Life of America*, 970 F.2d 874, 23 USPQ2d 1698, 1700 (Fed. Cir. 1992), *cert. denied*, 506 U.S. 1034 (1994), "[w]hen marks would appear on virtually identical goods ..., the degree of similarity [of the marks] necessary to support a conclusion of likely confusion declines." Respondent argues in its main brief, however, that notwithstanding the obvious fact that the marks at issue are composed of transpositions of the terms "FLEX" and "AIR," such marks do not look alike, "particularly since AIRFLEX is typically displayed in all capital letters while FlexAir is displayed with the 'F' and the 'A' in initial caps"; the marks do not sound alike, in that "AIRFLEX is likely to be spoken as one word while FlexAir is likely to be spoken as two"; and the marks "AIRFLEX and FlexAir do not share the same or a similar meaning," in that "FlexAir appears to have been selected by EDI because it was to be used on a 'flexible membrane diffuser' ... through which air is pushed'" while "AIRFLEX was selected by SSI because it would be used on and in connection with discs [as diffusers], and it had previously sold FlexDisc discs." In view thereof, and in light of various third-party uses of "Flex-"formative marks, respondent insists that confusion is unlikely.

We agree with petitioner, however, that contemporaneous use of the marks "FLEXAIR" and "AIRFLEX" on legally identical goods, namely air diffusers, is likely to cause confusion inasmuch as such marks, when considered in their entireties, are substantially similar in sound, appearance, connotation and overall commercial impression. As petitioner points out in its main brief, "the FLEXAIR and AIRFLEX marks have the same number of syllables ... and both use only the terms AIR and FLEX to comprise the mark[s]." While petitioner tends to use its mark in the format "FlexAir" as opposed to respondent's general use of its mark in the manner "AIRFLEX," both petitioner's registration and that of respondent set forth the respective marks in all capital letters and, thus, the respective marks are not limited to any specific display. See, e.g., Phillips Petroleum Co. v. C. J. Webb, Inc. 442 F.2d 1376, 170 USPQ 35, 36 (CCPA 1971) [a mark registered in standard character or typed form is not limited to being depicted in any particular manner of display]. As a result, petitioner is free to display its mark as "FLEXAIR" while respondent is at liberty to depict its mark as "AirFlex." Both parties' marks, moreover, similarly denote air from a flexible source, such as a membrane or air diffuser, and share the same constituent elements when pronounced. Furthermore, while the record reflects examples of third-party use of "Flex-"formative marks, in the absence of evidence as to the extent of such use, it cannot be said that the marks at issue in this proceeding are so weak as to preclude any likelihood of confusion.

Rather, it is obvious that, to the extent that there are differences between the parties' marks, such are due to the transposition of their "FLEX" and "AIR" components. However, if the transposition does not change the overall commercial impression of the marks at issue, a likelihood of confusion generally will be found, whereas confusion is not likely if the transposed mark creates a distinctly different commercial impression from its counterpart mark. See TMEP Section 1207.01(b)(vii) (5th ed. 2007) and cases cited therein.¹⁰ In the present case, it is clear that instead of creating distinctly different commercial impressions, the marks "FLEXAIR" and "AIRFLEX" project substantially the same overall commercial impression, such that confusion would be likely from their contemporaneous use in connection with air diffusers.

Additionally, as pointed out by petitioner in its main brief, despite "an infinite range of marks" from which to select, "SSI just happened to choose a mark that was simply the reverse of EDI's FLEXAIR mark for identical goods" and which petitioner had been using for about ten years. Respondent, in fact, not only knew of petitioner's use of its "FLEXAIR" mark before selecting its "AIRFLEX" mark, but the record reveals that respondent copied substantial portions of an operating manual of petitioner's by using identical language except for replacing "FLEXAIR" with "AIRFLEX." Such evidence, as petitioner notes, creates "a very strong inference that SSI deliberately adopted a

¹⁰ The classic example in trademark law is, of course, the difference between a "BLIND VENETIAN" and a "VENETIAN BLIND."

similar mark" and, being indicative of bad faith adoption, supports a finding of a likelihood of confusion. See, e.g., Beer Nuts, Inc. v. Clover Club Foods Co., 805 F.2d 920, 231 USPQ 913, 917 (10th Cir. 1986) ["The inference of intent is especially strong when the parties have had a prior relationship. Such a relationship provides evidence of the alleged infringer's intent to trade on the plaintiff's goodwill"].

Respondent asserts, however, that "[g]iven the very important function which the products at issue play in the wastewater treatment process," confusion is not likely to occur because "purchasers exercise great care in making purchase decisions." While the record shows that the conditions under which and buyers to whom sales are made often involve discriminating sales and highly sophisticated purchasers rather than impulse items and ordinary consumers, petitioner and respondent do not sell their products only as part of a specifically engineered wastewater treatment system. Instead, customers for either "FLEXAIR" or "AIRFLEX" air diffusers may purchase such products separately and, in fact, petitioner sells certain of its "FLEXAIR" goods as commodity items requiring very little, if any, assistance in their purchase. Thus, even though municipalities and industrial plants are necessarily careful and sophisticated purchasers who know their needs for air diffusers and will be expending substantial sums for replacement diffusers, the fact that such purchasers may be considered to be highly discriminating buyers "does not necessarily preclude their mistaking one trademark for another" or establish that they

otherwise are entirely immune from confusion as to source or sponsorship. *Wincharger Corp. v. Rinco, Inc.*, 297 F.2d 261, 132 USPQ 289, 292 (CCPA 1962). See also *In re Decombe*, 9 USPQ2d 1812, 1814-15 (TTAB 1988); and *In re Pellerin Milnor Corp.*, 221 USPQ 558, 560 (TTAB 1983). In terms of bulk or commodity sales of air diffusers, it is plain that there is a likelihood of source confusion from contemporaneous use of the marks "FLEXAIR" and "AIRFLEX." Moreover, the record reflects that instead of an absence of any incidents of actual confusion, which would be expected if, during the past ten years of contemporaneous use, confusion were unlikely to occur, the record contains two examples of customers who confused petitioner's "FLEXAIR" air diffusers with the "AIRFLEX" air diffusers marketed by respondent. Such incidents are not insignificant, given the time and expense involved in the typical sale of such products.

Respondent further argues, however, that any finding of a likelihood of confusion is barred by equitable principles of laches, acquiescence and estoppel. Specifically, and provided that confusion is likely rather than inevitable, see, e.g., *Ultra-White Co., Inc. v. Johnson Chemical Industries, Inc.*, 465 F.2d 891, 175 USPQ 166, 167 (CCPA 1972) [holding that equitable defenses such as laches, acquiescence and estoppel are not applicable where a likelihood of confusion is inevitable],¹¹

¹¹ To be thorough, it is also pointed out that such defenses are not applicable to a claim of fraud inasmuch as it is in the public interest to prohibit registrations procured or maintained by fraud. See, e.g., *Treadwell's Drifters Inc. v. Marshak*, 18 USPQ2d 1318, 1320 (TTAB 1990), *recon. denied*, 18 USPQ2d 1322 (TTAB 1990); and *Bausch & Lomb Inc. v. Leupold & Stevens Inc.*, 1 USPQ2d 1497, 1499 (TTAB 1986).

respondent contends that because petitioner has acquiesced in respondent's use of the "AIRFLEX" mark both internationally and domestically, petitioner is guilty of laches and is therefore estopped from complaining about a likelihood of confusion. Basically, such defenses require a showing of undue delay in asserting rights against a party and prejudice to that party resulting therefrom. The defenses begin to run in an *inter partes* proceeding such as this, which petitioner commenced on September 27, 2005, from the time action could be taken by petitioner against the acquisition by respondent of rights to which objection is being made by petitioner, which in this case is the December 9, 2003 date on which the mark which is the subject of respondent's underlying application for registration was published for opposition. See National Cable Television Association Inc. v. American Cinema Editors Inc., 19 USPQ2d 1424, 1431-32 (Fed. Cir. 1991).

In particular, respondent contends that equitable defenses bar relief on the ground of priority of use and likelihood of confusion, asserting that:

First, EDI has admitted that SSI used AIRFLEX in connection with diffusers outside the United States since 1998, and EDI must have know [sic] SSI was using AIRFLEX in the United States by reason of EDI's purchases of the plastic holder for disc diffusers and tube stubs on which AIRFLEX was impressed. While EDI requested that the plastic holders either be blank or bear FlexAir, it never requested removal of AIRFLEX from the tube stubs.

In his June 30, 2005 letter in which Tharp for the first time complained of SSI's use of AIRFLEX, he stated: ["]When we started in the operations, clearly SSI and

EDI cooperated because we had mutual needs, and it was clear that your primary area of emphasis was a different marketing territory than EDI."

This statement does not say that SSI was not marketing products in the United States. Rather, it says that SSI's primary marketing area as [sic] international and implies that EDI's primary marketing area was domestic. Such a statement was and is entirely consistent with the facts at least insofar as SSI is concerned. As Mr. Frankel testified, some 75% to 80% of SSI's sales were and have continued to be international ... and thus SSI's primary marketing area was and is international. As the Tharp statement implicitly recognized, SSI's secondary marketing area was and is domestic.

....

There seems no question that the artificial distinction which EDI attempts to make between the domestic and international markets is contrived. While EDI has not even given an estimate of the break down [sic] between its US and international sales, there can be not [sic] question that its international sales were significant, even if not 75% to 80% of sales as is the case with SSI. Moreover, having failed to give a breakdown between US and international sales, EDI should not be permitted to contend otherwise.

Tharp admittedly acquiesced in SSI's use of AIRFLEX in the international market starting in 1998. If there were any likelihood of confusion between the marks, it would more likely occur in the international market than in the US market.

....

Fortunately, proof of EDI's acquiescence does not require a determination of the veracity of Tharp's claim that he was not aware of SSI's use of AIRFLEX in the United States until mid-2005. Tharp has admitted that ... "[w]e knew that they were marketing the product as AIRFLEX early in 1998." ... Assuming that he actually believed that such use was only international, EDI does an

unspecified but substantial part of its FlexAir business internationally ..., and if AIRFLEX would cause confusion in the United States, it would likely cause even more confusion in foreign markets. The distinction which Tharp attempted to draw between domestic and international confusion is obviously an attempt to justify EDI's acquiescence in SSI's use of AIRFLEX outside the United States, an acquiescence which is incontrovertible.

....

Of course, if EDI had complained of SSI's use of AIRFLEX back in 1998, before SSI had built up any good will therein, SSI could have changed its mark without serious consequences. Because EDI waited for some seven years to make any complaint, it would be inequitable to deprive SSI of its right to register, let alone use, AIRFLEX.

We concur with petitioner, however, that respondent has not met its burden of proof to establish its equitable defense(s). As is apparent from the argument recounted above, respondent's argument not infrequently is speculative rather than factually based. In addition, as petitioner persuasively points out in its reply brief, even if confusion herein is regarded as likely rather than inevitable:

SSI does not cite a single case in support of its acquiescence or laches argument. Nor does it distinguish the Federal Circuit decision holding that in a cancellation proceeding, the time runs from knowledge of application for registration. It does not run from the alleged knowledge of use. *National Cable Television Assoc. v. American Cinema Editors Inc.*, 19 USPQ2d 1424, 1431 (Fed. Cir. 1991).

There is no dispute that the earliest point in time at which EDI could know that SSI had filed to register the AIRFLEX mark was when the mark was published for opposition on December 9, 2003. SSI does not dispute that EDI complained of the use of the

mark about a year and a half later and filed for cancellation in less than two years from the date of publication. Last, SSI does not dispute that a year and a half to two years is not sufficient for a laches defense.

Even if less than [approximately] two years was an unreasonable delay, laches would still not apply because SSI did not provide evidence of material prejudice. Mere delay alone does not constitute laches. *Turner v. Hops Grill & Bar Inc.*, 52 USPQ2d 1310, 1312-13 (TTAB 1999). SSI cannot simply say it has been prejudiced. SSI has the burden of proving laches and material prejudice cannot be based upon a presumption. *Id.* at 1312.

Without any support, SSI wants to discuss when EDI allegedly had actual knowledge of SSI's use of the mark in the United States. Yet, EDI did not have actual knowledge before the incident in Louisiana in June 2005 when SSI won the St. John the Baptist Parish bid despite the fact that EDI's equipment was specified.

....

The undisputed testimony is that after learning in June 2005 that SSI was competing against it, EDI complained to SSI in a letter dated June 30, 2005 and filed the Petition for Cancellation on September 27, 2005. It is not disputed that EDI complained within a month from the time of the Louisiana incident and filed the cancellation less than three months from the time it sent the letter.

Regardless, the proper analysis is when EDI knew of the registration, not when EDI allegedly knew of SSI's use of the mark in the United States. SSI does not dispute that under this analysis, laches does not apply.

Furthermore, while petitioner plainly knew of respondent's use of its "AIRFLEX" mark internationally since about the time the parties commenced doing business in 1998 and 1999, such time frame obviously is not only prior to the publication of respondent's mark for opposition, but in the

absence of evidence of the extent of petitioner's international sales, there simply is no proof of respondent's contention that the dichotomy between international and domestic sales is an "artificial distinction" or one which is "contrived" by petitioner to avoid a finding of acquiescence. Accordingly, we find that there is a likelihood of confusion which has not been shown to be barred by laches, acquiescence or estoppel as asserted by respondent.

Turning next to the remaining ground of fraud, we agree with respondent that the involved registration has not been shown to have been obtained by fraud. As respondent accurately notes in its brief, petitioner's claim of fraud in essence "is based upon nothing more [than] ... the fact that SSI knew of EDI's use of FlexAir when it applied to register AIRFLEX." While petitioner insists that because there is a likelihood of confusion, respondent's knowing failure to inform the USPTO of petitioner's prior use and superior rights constitutes fraud, the Board, as stated in *Kelly Services Inc. v. Greene's Temporaries Inc.*, 25 USPQ2d 1460, 1462-63 (TTAB 1992), takes the position that the issue of fraud depends upon whether the respondent had a good faith belief in the absence of a likelihood of confusion when it executed its application for registration:

We view the statutorily prescribed ownership statement as comprising the following averments: (1) the declarant believes the applicant to be the exclusive owner of the applied for mark and (2) the declarant believes no other party has an equal or superior right to use, on any goods or services, the same mark or a mark so similar to applicant's that, when used on such goods or services, there would be a

likelihood of confusion as to the source of the goods or services. See, e.g. *An Evening at the Trotters, Inc. v. A Nite at the Races, Inc.*, 214 USPQ 737 (TTAB 1982).

In the *Trotters* case, it was held that an applicant that believes its right to register a mark is superior to that of another user of the same or similar mark will not be held to have committed fraud by signing an application with the statutorily prescribed ownership statement. *An Evening at the Trotters*, 214 USPQ at 741 n.9. The converse of this, of course, is that fraud may be found where the application is signed in the absence of such a good faith belief.

....

Thus, [a] petitioner cannot prevail upon its claim of fraud unless it pleads and proves that respondent, when it signed the application with the ownership oath, was aware of petitioner's superior right to use the same or a similar mark, as a technical trademark, or in a manner analogous to trademark use, so as to create a likelihood of confusion among consumers if the two parties used their marks contemporaneously.

Respondent concedes that while the failure of its involved registration for the mark "AIRFLEX" to bar the issuance of petitioner's registration for the mark "FLEXAIR" "may not be evidence that [the] ... marks are not confusingly similar," respondent maintains that such failure "should go a long way towards demonstrating that there could have been no fraud." Respondent, in this regard, cites *First International Services Corp. v. Chuckles Inc.*, 5 USPQ2d 1628, 1635 (TTAB 1988), in which the Board stated that:

Opposer has also alleged fraud due to applicant's failure to inform the Examining Attorney of opposer's mark, about which applicant is claimed to have had prior knowledge. While we have determined in this opinion that, in the totality of circumstances, confusion is likely, we

recognize that there is an arguable difference between applicant's and opposer's marks. Accordingly, we do not think it was unreasonable for applicant to believe ... the contemporaneous use of the marks by the parties was not likely to cause confusion, [and] that therefore no fraudulent intent can be inferred from applicant's averment to this effect in the application. See, *SCOA Industries Inc. v. Kennedy & Cohen Inc.*, 188 USPQ 411 (TTAB 1975).

We concur with respondent that, inasmuch as the marks at issue herein are not identical, and thus there are arguable differences therein, respondent could reasonably believe, notwithstanding our finding that the respective marks are confusingly similar when used in connection with air diffusers, that the contemporaneous use thereof by the parties is not likely to cause confusion. Likewise, because there is no evidence of record, such as an injunction or finding of infringement in a judicial proceeding, that respondent knew that petitioner possessed a superior right to use its "FLEXAIR" mark vis-à-vis respondent's use of its "AIRFLEX" mark, respondent could maintain a good faith belief in its entitlement to the registration which it sought. There consequently being an absence of circumstances from which a fraudulent intent could be inferred, the claim of fraud must fail.

We accordingly conclude, in light of the above, that while no fraud has been shown in respondent's obtaining of its involved registration, it is nonetheless the case that contemporaneous use by respondent of its "AIRFLEX" mark in connection with "water cleaning equipment, namely diffusing units for aerating sewage and industrial wastewater," is likely to

Canc. No. 92045054

cause confusion with the prior use by petitioner of its "FLEXAIR" mark for the legally identical goods of "air diffusers for aerating water and wastewater."

Decision: The petition to cancel is denied with respect to the ground of fraud but is granted as to the ground of priority of use and likelihood of confusion. In view thereof, Reg. No. 2,819,700 will be cancelled in due course.