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UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Lloyd Lifestyle Limited et al.
v.
Soaring Helmet Corp.

Opposition No. 91164265
to Application Serial No. 76512629
filed on 5/8/2003

and

Cancellation No. 92045075
to Registration No. 2931393

Christopher Allegaert, Michael S. Vogel and Howard Chen of
Allegaert Berger & Vogel LLP for Lloyd Lifestyle Limited et
al.

Mark Jordan of Invicta Law Group, PLLC for Soaring Helmet
Corp.

Before Rogers, Kuhlke and Walsh, Administrative Trademark
Judges.

Opinion by Walsh, Administrative Trademark Judge:

These consolidated proceedings include both an
opposition and a cancellation proceeding. In the
opposition, Lloyd Lifestyle Limited and Lloyd IP Limited
have opposed the intent-to-use application by Soaring Helmet
Corporation ("Soaring Helmet" or "defendant"), a Washington

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State corporation, to register the mark NITRO in standard-character form for "motorcycle helmets and protective clothing" in International Class 9 (Application Serial No. 76512629). In the cancellation proceeding, Lloyd IP Limited and VSJ Limited have petitioned to cancel the registration also owned by Soaring Helmet for the mark NITRO RACING in standard-character form also for "motorcycle helmets and protective clothing" in International Class 9 (Registration No. 2931393). The registration issued on March 8, 2005. The opposers and petitioners are related United Kingdom companies; we refer to them here collectively as either "the Lloyd Group" or "plaintiffs."

Both parties appeared at a hearing in the case on March 28, 2007, and both parties have filed briefs.

I. The Grounds

In the notice of opposition and petition to cancel plaintiffs assert a number of grounds against defendant. However, in their brief, as defendant argues, plaintiffs maintain only one ground for opposition and cancellation. Specifically, plaintiffs argue that they, not defendants, owned the NITRO and NITRO RACING marks at the time the applications for those marks were filed, and consequently that defendant's pending NITRO application and defendant's application which resulted in the NITRO RACING registration were void as filed because defendant, the applicant in both

instances, was not the owner of the mark under Trademark Act Section 1, 15 U.S.C. § 1051. Accordingly, in view of the pleadings and briefs, we have limited our consideration to the ownership ground only and conclude that plaintiffs have abandoned all other grounds previously asserted in both proceedings. See *Scranton Plastic Laminating, Inc. v. Mason*, 187 USPQ 335, 337 (TTAB 1975).

II. Standing

Defendant, in addition to objecting to our consideration of grounds other than the ownership ground, asserts further that plaintiffs failed to plead the ownership ground adequately and that plaintiffs have also failed to plead and establish their standing to assert the ownership ground. Defendant states, "The Lloyd Group's basis for standing is a specious assertion that it uses the Nitro marks 'throughout the world.' (Citation omitted.) In this case, however, 'throughout the world' excludes the U.S. Furthermore, Soaring Helmet was the first to use the mark in the U.S., and Lloyd's so-called 'worldwide' use was admittedly not famous within the U.S. at the time." Defendant's Brief at 27. Defendant argues further that "the Lloyd Group has never engaged in the design, manufacture, sales, marketing or distribution of Nitro or Nitro Racing products in the U.S." *Id.* Furthermore, defendant asserts

more generally that plaintiffs had no interest in the U.S. market in regard to the NITRO and NITRO RACING marks.

In response plaintiffs state, "The obvious problem with Soaring Helmet's standing argument is that it is completely circular, taking as its premise the assumed conclusion that it will prevail on the issue of ownership of the Nitro Marks." Plaintiffs' Reply Brief at 6. Plaintiffs argue further that defendant's use of the NITRO and NITRO RACING marks in the United States was as the licensee or distributor for plaintiffs, and therefore, that defendant's use was not as owner but on plaintiffs' behalf and subject to plaintiffs' control.

First, we find plaintiffs' allegations in the notice of opposition and petition to cancel, viewed in the full context of those pleadings, sufficient both for the purpose of stating the ownership claim and for the purpose of asserting standing. Specifically, the notice of opposition, in addition to claiming rights in the NITRO mark "throughout the world," states, "... Applicant acted and still acts as a U.S. distributor or importer of motorcycle helmets and motorcycle clothing, including protective motorcycle clothing bearing Opposers' NITRO mark." Notice of Opposition at ¶ 4. Likewise in the petition to cancel, plaintiffs, in addition to claiming ownership of the mark in the United Kingdom and other parts of the world, state, "...

VSJ authorized Respondent to import and distribute the Products in the United States, subject (among other things) to the requirement that Respondent source the products from specific authorized manufacturers and suppliers located in China.” Petition to Cancel at ¶ 3. In the petition, plaintiffs also state, “At all relevant times during the business relationship between VSJ (or Lloyd IP) and Respondent, VSJ (or Lloyd IP) remained and continues to be the owner of the Trademark.” *Id.* at ¶ 5.

We also conclude that plaintiffs have not only asserted but established their standing. The nature of the ownership claim is such that proof of the claim itself cannot be separated entirely from the establishment of standing to assert the claim. As we discuss below, we ultimately conclude that plaintiffs prevail on their ownership claim in both proceedings. This necessarily implies that plaintiffs have established their standing.

In *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023 (Fed. Cir. 1999), the Court of Appeals for the Federal Circuit enunciated a liberal threshold for determining standing, namely, whether one’s belief that one has been or will be damaged by the registration is reasonable and reflects a real interest in the case. *See also Jewelers Vigilance Committee Inc. v. Ullenberg Corp.*, 823 F.2d 490, 2 USPQ2d 2021, 2023 (Fed. Cir. 1987). *Cf. Floater Vehicle*,

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Inc. v. Tryco Manufacturing Co., Inc., 497 F.2d 1355, 182 USPQ 203 (C.C.P.A. 1974). Plaintiffs' ownership claims in both proceedings fall well within these bounds.

Accordingly, we conclude that plaintiffs have established standing in these proceedings.

III. The Record

The record in these proceedings consists of the pleadings and the files related to the application and registration at issue here. In addition, the record includes testimony depositions of Mr. George Lloyd and Ms. Catherine Lloyd, principals in the Lloyd Group, Mr. Lou Xu and Ms. Jeanne DeMund, principals in Soaring Helmet, all taken by plaintiffs. After plaintiffs had taken testimony from the two principals in defendant, defendant's counsel deferred the examination of its witnesses until its own testimony period, but defendant did not submit any testimony from Mr. Xu or Ms. DeMund, or any other witnesses, taken during defendant's testimony period. The record also includes notices of reliance filed by each of the parties.

Before proceeding we must address one issue regarding the record. All testimony of all four witnesses and certain exhibits introduced during that testimony were submitted under seal as confidential. In each instance neither party has made any attempt to delineate the truly confidential portions by redaction. In addition, the parties have

segregated certain testimony which was designated as "highly confidential" or "trade secret/commercially sensitive"; this testimony was redacted from the transcripts and submitted on separate pages.

The parties may not shield from the public information that is not appropriately confidential. See Trademark Rule 2.27(d) and (e). It is apparent that parts of the testimony and exhibits submitted under seal are not confidential. In fact, both plaintiffs and defendant refer to this evidence in their briefs which were not filed under seal. Therefore, within thirty days of the mailing date of this decision, the parties are ordered to resubmit a redacted copy of all testimony and exhibits submitted under seal with only those portions which truly need to be kept under seal redacted. The redacted copy will be placed in the public record. If either party fails to make this submission, testimony and exhibits relating to that party, with the exception of the "highly confidential" or "trade secret/commercially sensitive" portions which already have been properly segregated, will become part of the public record.

For the purposes of this opinion we will not refer to any information which is currently designated confidential unless it has been discussed in the briefs of the parties.

IV. Findings of Fact

A. The Plaintiffs

Mr. George Lloyd provided the testimony regarding plaintiffs, the Lloyd Group. The Lloyd Group consists of three United Kingdom companies identified above; Mr. Lloyd is the chairman and "store president" of each of these entities. Mr. Lloyd is a trained engineer and a lifelong motorcycle enthusiast. He has been involved in the sale of motorcycles and related accessories for fifty years. The Lloyd Group designs and sells motorcycle helmets and clothing, including jackets, boots and gloves. The Lloyd Group employs 100 people directly, including fifteen in product design. The Lloyd Group designs its own products, including particular structural elements and graphics for its helmets, in house and also through outside contractors. The Lloyd Group manufactures products in China, Vietnam and Pakistan. The Lloyd Group uses an independent testing group in England to ensure that its products comply with relevant legal standards, as well as its own specifications and quality standards. The Lloyd Group develops and implements marketing plans for its products. The Lloyd Group distributes its products on its own in the United Kingdom and through independent distributors/licensees in other countries.

B. The Defendant

Both Mr. Xu and Ms. DeMund provided testimony regarding defendant, Soaring Helmet. However, plaintiffs, not defendant, took the testimony of both witnesses associated with defendant. Mr. Xu and Ms. DeMund are husband and wife and each owns fifty percent of Soaring Helmet, which they established in 1994. Soaring Helmet is based in the State of Washington and sells motorcycle helmets and accessories in the United States. Soaring Helmet employs 20 individuals directly; it also has a network of sales representatives. Soaring Helmet designs the graphics and other "cosmetic" features of its helmets itself; its manufacturers design the shell or structure of the helmets. Soaring Helmet manufactures its helmets in China. In 1997 Soaring Helmet began to have helmets manufactured by MHR, which is located in Canton, China. At the time Soaring Helmet began to use MHR to manufacture its helmets, MHR manufactured helmets for Soaring Helmet under Soaring Helmet's VEGA mark. In 2005 Soaring Helmet discontinued use of MHR as its manufacturer; at the same time Mr. Xu shifted production to another factory in China which Mr. Xu had built and owns.

C. The NITRO Marks¹

Mr. Lloyd developed the NITRO marks at issue here in 1996. The Lloyd Group began use of the NITRO marks on motorcycle clothing in the United Kingdom late in 1999. The clothing was made for the Lloyd Group in China. The Lloyd Group began to manufacture and sell helmets in the United Kingdom under the NITRO marks in 2002; the helmets were manufactured for the Lloyd Group in China by MHR. Mr. Lloyd first met with MHR representatives and toured the MHR factory in 2001. In April 2002 MHR began manufacturing helmets with the NITRO marks for the Lloyd Group for sale in Europe.

At the end of 2001 when the Lloyd Group selected MHR to manufacture helmets to be sold under the NITRO marks, the Lloyd Group began to work with MHR to design the product. In accordance with the Lloyd Group's instructions, MHR modified the MHR shell to incorporate Lloyd-designed features, such as, vents, liners and the strap design, desired by the Lloyd Group. G. Lloyd Test. at 59-62.

Mr. Lloyd also provided MHR with European-Community specifications, identified as EC2205, for design of the helmets for sale in the European market. *Id.* at 93. Mr.

¹ For purposes of our discussion when we refer to "the NITRO marks" we include both the NITRO and NITRO RACING marks.

Lloyd also provided the graphics for the helmets which were first produced and sold in April 2002. In 2002, MHR manufactured substantial quantities of NITRO helmets for the Lloyd Group in the MHR factory. The Lloyd Group enjoyed early success in the sale of the NITRO helmets in the United Kingdom; the sales were substantial. The Lloyd Group also designed both gloves and boots for sale under the NITRO marks; Chinese manufacturers also made these products for the Lloyd Group.

The Lloyd Group applied to register the NITRO marks in 1996 in the United Kingdom and in the European Community and obtained registrations based on those applications. Exh. 46. The Lloyd Group subsequently applied to register the NITRO marks in additional countries, other than the United States. At the time of Mr. Lloyd's testimony, the Lloyd Group had obtained one additional registration for NITRO in China and all other applications remained pending. *Id.*

D. The Relationship Between Plaintiffs and Defendant

As noted above, both plaintiffs and defendant employed MHR to manufacture helmets in the same factory at the same time. This "coincidence" sets the stage both for the first contact between the parties and ultimately for this dispute. Predictably, plaintiffs and defendant have differing accounts of their contacts and the relationship they established.

In general, plaintiffs claim: (1) that plaintiffs developed the NITRO products with MHR for sale in Europe; (2) that defendant expressed an interest in selling the NITRO products in the United States; (3) that plaintiffs agreed to permit defendant to sell the NITRO products obtained from manufacturers approved by plaintiffs on a nonexclusive basis in the United States; and (4) that defendant did sell those products in the United States on plaintiffs' behalf. Plaintiffs also assert that plaintiffs directed defendant to register the NITRO marks in the United States on behalf of plaintiffs and at plaintiffs' expense.

In general, defendant claims: (1) that plaintiffs indicated to defendant that plaintiffs had no interest in using the NITRO marks in the United States; (2) that defendant proceeded to use and register the NITRO marks in its own right in the United States; and (3) that defendant thereby established its ownership of the NITRO marks in the United States.

We must decide which version of the story the evidence supports. Unfortunately, most of the contacts, and all of the early contacts, between the parties were oral only. That is, Mr. Lloyd and Mr. Xu either met and spoke to each other or spoke on the telephone. The parties failed to execute a written agreement before proceeding, most importantly for our purposes, before defendant filed the

U.S. applications to register the NITRO marks at issue here and before defendant began to use the NITRO marks in the United States. After the fact, we do have certain email messages and letters discussed below which help in construing the contacts leading up to these activities, but still no executed written agreement. This is a classic example of the unfortunate consequences resulting from a failure to reduce an understanding to writing. See *Cutting Tools, Inc. v. Custanite Corp.*, 220 USPQ 1006, 1009 (TTAB 1984).

Before proceeding further we will discuss the probative value of specific evidence, in particular, the testimony, which is critical in determining the nature of the relationship between the parties with respect to the NITRO marks.

Mr. Lloyd is the only substantive witness connected with plaintiffs. Ms. Lloyd's testimony is for the sole purpose of authenticating documents. Although both Mr. Xu and Ms. DeMund testified, in most instances Mr. Xu was the individual who communicated directly with Mr. Lloyd at critical points in the development of the relationship between the parties. Much of Ms. DeMund's testimony, though useful in many respects, is based on her conversations with Mr. Xu regarding conversations Mr. Xu had had with Mr. Lloyd.

Overall we find Mr. Lloyd's account to be more reliable and more credible. We find much of Mr. Xu's testimony to be argumentative, internally contradictory and otherwise less than clear. As we noted above, it was plaintiffs and not defendant who took Mr. Xu's testimony, and although defendant reserved the right to take testimony during defendant's testimony period, defendant apparently never did so, at least defendant did not submit any such testimony. Perhaps defendant could have provided a more coherent account of its version of the events if defendant had taken and presented testimony from its own witnesses, but it has not done so.

We will provide a few illustrations of the problems with Mr. Xu's testimony, as contrasted with the testimony from Mr. Lloyd and even Ms. DeMund.

The following exchange illustrates one of the many types of communication difficulty with Mr. Xu's testimony:

- Q. I'll ask the question again. Do you use any trademark or trade name that has in it the word Nitro, other than the trademark Nitro or the trademark Nitro Racing? Do you use any other trademark?
- A. Vega.
- Q. Vega isn't responsive to my question, unless you use Nitro with Vega. I am asking whether you use any other trademark that has the word Nitro in it?
- A. Yes.
- Q. Okay. What other trademark do you use that has Nitro in it?

A. I believe, a baseball cap.

Xu Test. at 368-369. Eventually, Mr. Xu grasped the point of the question and stated that he had used the NITRO TOURING mark also. Nonetheless, the communication difficulty shown here is evident in much of Mr. Xu's testimony and seriously detracts from the reliability of Mr. Xu's testimony.

Contradictory statements are another difficulty with the Xu testimony. Mr. Xu claimed to have had an "exclusive" manufacturing arrangement with MHR, presumably meaning that MHR was barred from making helmets for anyone else, including the Lloyd Group. Xu Test. at 48. Mr. Xu later acknowledges that MHR was making helmets for other companies located in both the United States and Europe. *Id.* at 162. Ms. DeMund acknowledges that defendant had no real control over MHR making products for other companies. DeMund Test. at 54.

Mr. Lloyd describes the MHR operation in some detail in this regard. Mr. Lloyd testifies that, on his first visit to the MHR plant, he observed MHR making helmets for a number of companies under specific brands in substantial quantities -- in addition to Soaring Helmet's VEGA brand -- including companies from Greece, France and Italy. G. Lloyd Test. at 81-83. He also observed that MHR was making helmets under its own MHR brand. *Id.* Accordingly, we find

Mr. Xu's claims that Soaring Helmet had an exclusive manufacturing arrangement with MHR not credible.

Also, Mr. Xu testifies that MHR was acting improperly by manufacturing helmets for the Lloyd Group in secret at night, helmets which Mr. Xu claims were copied from those manufactured for defendant Soaring Helmet. On the other hand, Mr. Lloyd testifies in some detail, based on his experience and observations at the MHR factory, that the manufacturing process for helmets extends over one month and that each item being manufactured in the MHR plant was clearly identified with the brand of the party for whom the job was being done. G. Lloyd Test. at 102. Furthermore, from the outset MHR manufactured helmets for the Lloyd Group in large quantities, quantities which could not be concealed as Mr. Xu asserts. *Id.* Accordingly, we find Mr. Xu's assertions that MHR and the Lloyd Group were acting in secret not credible.

Mr. Xu is also argumentative, and prone to overstatement, throughout his testimony. Mr. Xu attempts to support his claim that the Lloyd Group was misappropriating his helmet designs with sweeping statements that the Lloyd Group lacked the ability to design helmets on its own. He states, "At the beginning, I think Lloyd started this helmet business, he doesn't know how to deal with it. He has no experience in helmet sales. Okay. No experience in helmet

designs. No experience in helmet fittings. Okay. Those elements is I spend (sic) the time and MHR developed." Xu Test. at 66.

However, when Mr. Xu was asked to provide particulars with regard to what the Lloyd Group wrongly appropriated, Mr. Xu was not able to identify particulars with any clarity. See, e.g., *Id.* at 102. Mr. Xu makes these claims even though Mr. Xu himself acknowledges that MHR provided the structural core of the helmets and that Soaring Helmet worked with MHR to develop only the cosmetic features of the helmets. Mr. Xu acknowledges that he had not even seen the Lloyd Group catalogs which included the allegedly "copied" products before his testimony. *Id.* at 103.

Here again, Ms. DeMund acknowledges that Soaring Helmet did not even make or sell helmets which met the European Community specifications - specifications which MHR was required to follow in the manufacture of the NITRO helmets for the Lloyd Group. DeMund Test. at 39. Ms. DeMund also acknowledged that the helmets MHR made for the Lloyd Group differed from those MHR made for Soaring Helmet. *Id.* at 58.

On the other hand, Mr. Lloyd states that he provided MHR with the overall designs, including graphics, for the first NITRO helmets MHR manufactured for the Lloyd Group under the NITRO marks. G. Lloyd Test. at 97. Mr. Lloyd also states that he warned that those graphics could only be

used on products manufactured for the Lloyd Group unless the Lloyd Group granted permission for their use by others. *Id.* at 111.

In fact, Mr. Lloyd also testified regarding a graphic which he wished to use at a later point; he had concerns that Soaring Helmet might have rights in the graphic. Before authorizing MHR to proceed to use the graphic Mr. Lloyd checked with Soaring Helmet. G. Lloyd Test. at 148-149. The record includes an email exchange between the parties; Ms. DeMund responded to the inquiry from the Lloyd Group authorizing the Lloyd Group to use the graphic in question. Exh. 48. This example confirms Mr. Lloyd's testimony that the Lloyd Group acted conscientiously in developing its products and contradicts Mr. Xu's broad claims that the NITRO helmets MHR made for the Lloyd Group were copied from Soaring Helmet without authorization.

We have reviewed the Soaring Helmet 2004 catalog (Exh. 3) and the Lloyd Group 2003/2004 catalogs (Exh. 4) and find no evidence of copying. In fact, the products displayed in the Lloyd Group catalogs consistently show a prominent display of the NITRO RACING logo on the products themselves, a logo which the Lloyd Group developed and used. That same logo is displayed on products in the Soaring Helmet catalogs for 2005/2006 (Exhs. 27 and 28) when defendant offered the NITRO products in the United States. Mr. Xu acknowledges

that he used the logo developed by plaintiffs. Xu Test. at 379.

Accordingly, we find that the Lloyd Group possessed relevant experience and capability, at least equal to that of Soaring Helmet, to design and manufacture motorcycle helmets and protective clothing. We find Mr. Xu's claims to the contrary not credible. Furthermore, we also find that the Lloyd Group acted independently and in good faith in the development of its own helmets for sale under the NITRO marks with MHR and that the NITRO helmets MHR produced for the Lloyd Group were not "copies" of the helmets MHR was producing for Soaring Helmet.

In this connection, we note that the objective in these proceedings is to determine rights in the NITRO marks and not rights in any designs related to products with which those marks have been used. *Cf. Carano v. Vina Concha Y Toro S.A.*, 67 USPQ2d 1149, 1151-1152 (TTAB 2003). Nonetheless, these findings are necessary for the limited purpose of confirming that the Lloyd Group produced its own products under the NITRO marks through MHR.

We now turn to the specific contacts between Mr. Lloyd and Mr. Xu which are critical to our determination of the nature of the relationship between plaintiffs and defendant with regard to the NITRO marks.

Mr. Lloyd met Mr. Xu in 2002 in passing at the MHR factory. The two met more formally in 2003 in Indianapolis at an industry trade show. At that time the parties had lunch and discussed their experiences with MHR. Mr. Xu mentioned minor problems he was having with MHR, such as production delays, but he did not voice any problem with plaintiffs and their use of MHR. The congenial nature of the relationship, which is evident here, belies Mr. Xu's strident claims that the Lloyd Group was misappropriating defendant's designs at this time.

Around that time the parties discussed the possibility of defendant selling plaintiffs' NITRO products in the United States in general terms, but not in detail. According to Mr. Lloyd, Mr. Xu was interested in the NITRO products because Mr. Xu judged the NITRO products to be suited for the United States market and because the NITRO products would complement other products Soaring Helmet then offered in the United States. G. Lloyd Test. at 121-122. Ms. DeMund also testified that Soaring Helmet was interested in selling the NITRO products in the United States to differentiate the NITRO products from those products Soaring Helmet then offered in the United States and thereby expand Soaring Helmet's offerings and sales. DeMund Test. at 61.

Thereafter, Mr. Lloyd authorized MHR to provide NITRO helmets to Soaring Helmet for sale in the United States; Mr.

Lloyd also put Soaring Helmet in touch with the clothing manufacturers the Lloyd Group used in China and authorized Soaring Helmet to obtain NITRO products from those manufacturers for sale in the United States. G. Lloyd Test. at 124.

Throughout his testimony, Mr. Xu states that it was a simple matter of the Lloyd Group having no interest in entering the U.S. market with the NITRO products and leaving it entirely for defendant to exploit on its own. For example, Mr. Xu states, "He [Mr. Lloyd] was talking about - he said well, I have no interest in the United States market. I told him I have no interest in the European market. And he said, well, you can take those things to the U.S. market. And I said, well, you can take my helmet to Europe (sic) market. That's how we - you know, then we have a common design. We can design together in the future, and we work together." Xu Test. at 79-80. Soaring Helmet, in fact, proceeded to sell helmets under the NITRO marks made by MHR in the United States, as well as clothing made by the Lloyd Group's clothing manufacturers in China. See Exhs. 27 and 28.

Mr. Xu and Mr. Lloyd are in agreement that Mr. Lloyd first raised the subject of the need to register the NITRO marks in the United States. Xu Test. at 205. Mr. Lloyd states the following regarding the registration of the NITRO

marks in the United States, "He [Mr. Xu] said he would organize that through his lawyer. It would get registered in America quicker. He was in America. He had done this before, so it would be quicker and easier if he registered the name for us... I said 'that will be fine. Yes. You can register it on our behalf. If you do it, we'll pay the expenses, but thank you very much, but please do it as quickly as possible.'" G. Lloyd Test. at 127.

The parties also agreed that they would refer requests for products in their respective territories to each other. That is, Soaring Helmet would refer parties looking for products in Europe to the Lloyd Group, and the Lloyd Group would refer requests for products in the United States to Soaring Helmet. There is evidence in the record, largely in the form of email messages, showing that the parties, in fact, followed through and made these referrals. *See, e.g.*, Exhs. 5, 6 and 7.

Mr. Lloyd later discovered through the Lloyd Group's lawyers that defendant had filed applications to register the NITRO marks in the United States in defendant's name, and plaintiffs demanded that steps be taken to substitute plaintiffs as applicants. The parties corresponded regarding this subject.

First, in an email message of December 6, 2003 from Ms. DeMund to Ms. Lloyd, Ms. DeMund states, "George and Lou have

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discussed putting your company on the US trademark for NITRO along with us. Please tell me the exact legal name of the company you want on the trademark, as well as address, phone, fax and the name of a corporate officer you would like on the trademark... We will have our attorney add to the application." Exh. 15.

In a follow-up letter dated December 9, 2003, from plaintiffs' attorneys, Murgitroyd & Co., to defendant's counsel, Mark Jordan at the Invicta Law Group, plaintiffs refer to the agreement that the U.S. applications will be assigned from defendant to plaintiffs with specific instructions regarding the drafting of the assignment. Exh. 16. The obvious point of this letter was to state with clarity plaintiffs' requirement, based on the understanding of the parties, that plaintiffs must be substituted as applicants not "added" to the applications.

In another email of December 15, 2003 from Mr. Xu to Ms. Lloyd, Mr. Xu states, "Mark Jordan, our attorney, received a letter from your attorney, requesting that the Nitro trademark application we started be assigned to you. *Of course we will arrange for that.*" Exh. 17. (Emphasis added.) The message states further, "We would like to develop an agreement between our companies that we can be the exclusive authorized (sic) for use of the "Nitro" brand name in the U.S.. (sic) If you agree in principle, we will

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ask Mark to draft an initial proposal. Please let me know whether we can proceed with this." *Id.*

In another letter, dated February 19, 2004, once again plaintiffs' attorneys wrote to defendant's attorney regarding the assignment of the U.S. NITRO applications. The letter states, "With reference to our letter dated 9 December 2003, our client has met with Mr. Lou Xu of your client company, and the parties have agreed that the two above-mentioned US Applications are to be assigned to OGK (Europe) Limited (a company owned by our client). Once you have checked the above with your client, please send us a signed assignment document for our client's counter-signature." Exh. 18.

Again, in another email message from defendant's counsel to plaintiffs' counsel, dated February 25, 2004, defendant's counsel confirmed that the assignment of the applications would be done, stating, "I am a colleague of Mark Jordan of the Invicta Law Group, PLLC. Soaring Helmet Corporation has given us authority to draft the Trademark Assignment and Trademark License Agreement referenced in your February 19, 2004, letter. We expect to have copies sent to you late this week or early next. Thank you." Exh. 19.

There is no correspondence from defendant which in any way challenges or contradicts plaintiffs' representations in

these documents with regard to plaintiffs' claim to ownership of the NITRO marks in the United States. It is clear from the conduct of the parties and this correspondence that defendant understood and acknowledges that plaintiffs were the owners of the NITRO marks in the United States and the proper applicants for the registration of the marks. Defendant argues that defendant attached conditions to the assignment. We find these arguments unpersuasive when we view the totality of the contacts between the parties disclosed in this correspondence.

V. Analysis/Conclusions of Law

Based on the totality of the evidence, we conclude that the relationship between plaintiffs and defendant with regard to rights in the NITRO marks in the United States is that of foreign manufacturer and U.S. distributor. The legal relationships in circumstances such as this do not always fit neatly into specific categories. *Sengoku Works Ltd. v. RMC International Ltd.*, 96 F.3d 1217, 40 USPQ2d 1149 (9th Cir. 1996). In this case a preponderance of the evidence of the conduct of the parties establishes that plaintiffs and defendant agreed that Soaring Helmet would act as distributor for the Lloyd Group for the purpose of sales of products bearing the NITRO marks in the United States.

For the purpose of our decision here, we need not and do not decide specifically whether a licensor/licensee relationship is also present. Both plaintiffs and defendant argue that their agreement included a number of detailed terms. We decline to interpret the conduct of the parties further with regard to more detailed terms of their relationship, including financial terms, in the absence of a written agreement. *Cutting Tools, Inc. v. Cushmanite Corp.*, 220 USPQ at 1010.

Regarding financial terms, the clothing manufacturers in China compensated plaintiffs directly for the sale of NITRO products to defendant for sale in the United States. *DeMund Test.* at 201. Although there is no evidence that defendant or MHR had compensated opposers directly for sales of NITRO helmets in the United States, opposers have demanded payment of a royalty based on defendant's sale of NITRO helmets in the United States in the ongoing discussions with defendant. *Id.* It is also apparent that both opposers and defendant benefited from the mutual referrals of business in their respective territories discussed above. While the financial terms of the relationship of the parties lack the usual clarity, this is the result of the failure to enter into a formal written agreement. We have taken these ambiguities into account, along with other relevant evidence, in determining that the

relationship between plaintiffs and defendant with regard to the NITRO marks and products is that of foreign manufacturer and U.S. distributor.

Furthermore, based on that relationship, we conclude that plaintiffs were the owners of the NITRO marks in the United States at the time defendant filed the applications at issue here. Consequently, because the applications at issue here were filed by defendant, and defendant was not the owner of the NITRO marks at the time the applications were filed, the applications were void as filed. *Global Maschinen GmbH v. Global Banking Systems, Inc.*, 227 USPQ 862, 867 (TTAB 1984).

The evidence establishes that the Lloyd Group developed the NITRO marks. Of course, the mere conception or "development" of a mark, without more, is not sufficient, by itself, to establish rights in the mark in the United States. *Sengoku Works Ltd. v. RMC International Ltd.*, 40 USPQ2d at 1151. However, in this case, plaintiffs not only developed the NITRO marks but plaintiffs developed products based on those NITRO marks and undertook use of the marks on those products. Also, we fully recognize that the establishment of trademark rights in another country does not, by itself, establish priority or rights in the United States. *Mother's Restaurants Inc. v. Mother's Other Kitchen, Inc.*, 218 USPQ 1046, 1048 (TTAB 1983). However,

the mere statement of this principle begs the question in this case. The question here is whether defendant was acting on behalf of plaintiffs when it filed its applications and began its use of the NITRO marks in the United States, a question not addressed in *Mother's Restaurants* and like cases.

We conclude further that the Lloyd Group is the legal equivalent of a "foreign manufacturer" for the purposes of the NITRO marks. Of course, to establish trademark rights, it is not necessary for a party to manufacture the goods to which the mark is applied. *Lutz Superdyne, Inc. v. Arthur Brown & Bro., Inc.*, 221 USPQ 354 (TTAB 1984). In fact, in this case the record shows that both plaintiffs and defendant contracted with a third party in a third country to produce goods for sale in their respective countries. That is, initially Soaring Helmet employed MHR to manufacture its VEGA helmets in China for sale in the United States, and the Lloyd Group employed MHR to manufacture its NITRO helmets in China for sale in Europe. It is evident that this type of arrangement is not unusual.

Furthermore, we see no reason why, under these circumstances, the Lloyd Group should not receive the same treatment for the purpose of trademark rights as a foreign manufacturer which produces goods in its own factory, most importantly, for the purpose of the presumptions U.S. law

affords foreign manufacturers. In the circumstances of this case, the products in question are defined by the NITRO marks and the concept the NITRO marks embody. As we noted above, defendant acknowledges that the NITRO products differed from products that it already offered in the United States and that the NITRO products would expand its product offerings in the United States.

There is a strong and longstanding presumption that, as between a foreign manufacturer and U.S. distributor, the foreign manufacturer is presumed to be the owner of the mark in the United States. *Sengoku Works Ltd. v. RMC International Ltd.*, 40 USPQ2d at 1149; *Roger & Gallet v. Janmarie, Inc.*, 245 F.2d 505, 114 USPQ 238 (CCPA 1957); *Global Maschinen GmbH v. Global Banking systems, Inc.*, 227 USPQ at 867; *In re Eucryl Limited*, 193 USPQ 377 (TTAB 1976); *Bakker v. Steel Nurse of America Inc.*, 176 USPQ 447 (TTAB 1972); *Compania Insular Tabacalera, S. A. v. Camacho Cigars, Inc.*, 167 USPQ 299 (TTAB 1970); *Far-Best Corporation v. Die Casting "ID" Corporation*, 165 USPQ 277 (TTAB 1970); *In re Geo. J. Ball, Inc.*, 153 USPQ 426 (TTAB 1967). This presumption applies specifically "in the absence of an agreement, express or otherwise." *Bakker v. Steel Nurse of America Inc.*, 176 USPQ at 448. Indeed, the absence of a clear agreement in these situations is the rule not the

exception and the reason for the existence of the legal presumption.

The circumstances of this case differ significantly from cases where the parties have no "relationship" and the U.S. company simply adopts a mark which has been used by another company in another country. *Cf. Person's Co. Ltd. v. Christman*, 900 F.2d 1565, 14 USPQ2d 1477 (Fed. Cir. 1990).

We specifically reject defendant's argument that the parties entered into a reciprocal agreement whereby plaintiff would be permitted to own and use defendant's VEGA mark in Europe and defendant would be permitted to own and use plaintiffs' NITRO marks in the United States. The record overall does not support this position. It is quite clear that plaintiffs had no interest in the VEGA mark. Although plaintiffs did apply to register the VEGA mark in Europe we find credible plaintiffs' explanation that it did so only as leverage to secure the assignment of the U.S. NITRO applications from defendant once defendant filed in its own name and delayed in fulfilling its promise to assign the applications to plaintiffs.

Likewise we reject defendant's alternative argument that plaintiffs are guilty of naked licensing and presumably have thereby abandoned plaintiffs' U.S. rights in the NITRO marks. Defendant did not plead abandonment as a defense in

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these proceedings. While plaintiffs have not objected to defendant's naked-license argument explicitly on this ground, plaintiffs have, in effect, done so. Under the circumstances, we decline to consider this unpled defense to have been tried by consent when it was raised so late in the game. *Cf. Long John Silver's Inc. v. Lou Scharf Inc.*, 213 USPQ 263, 266 (TTAB 1982).

However, if we were to consider it, we would reject it on the merits as well. As plaintiffs point out, if we found that there was a license, which we have not, and defendant were the licensee, defendant would be estopped from attacking the license on grounds, such as failure of the licensor to exercise the necessary control. *Garri Publication Associates Inc. v. Dabora Inc.*, 10 USPQ2d 1694, 1697 (TTAB 1988). Furthermore, plaintiffs' involvement with MHR, the helmet manufacturer for both parties, and the clothing manufacturers for both parties, indicates an adequate level of control by plaintiffs over the NITRO products sold by defendant. Lastly, defendant's use of other manufacturers without the authorization or knowledge of plaintiffs can hardly serve as the basis for finding a naked license and an abandonment of rights by the plaintiffs in this case.

In sum, we conclude that plaintiffs have shown by a preponderance of the evidence: (1) that plaintiffs acted

independently and in good faith to develop the NITRO marks and products; (2) that MHR manufactured the NITRO products for plaintiffs; (3) that plaintiffs acted as foreign manufacturer and defendant as U.S. distributor for the sale of the NITRO products in the United States; (4) that plaintiffs are the owners of the NITRO marks in the United States, and (5) that the applications defendant filed for registration of the NITRO marks in the United States at issue in these proceedings were not filed by the owner of the marks, and therefore, were void as filed.

Decision: We sustain the opposition in Opposition No. 91164265; registration is refused. We grant the petition to cancel in Cancellation No. 92045075; Registration No. 2931393 will be cancelled in due course.²

Also, as explained above, within thirty days of the mailing date of this decision, the parties are ordered to resubmit a redacted copy of all testimony and exhibits submitted under seal with only those portions which truly need to be kept under seal redacted.

² Plaintiffs had requested in the alternative that we correct the records under Trademark Act Section 18, 15 U.S.C. § 1968, in the application and registration at issue here to identify plaintiffs as owners. We decline to do so, among other reasons, because plaintiffs have not identified the specific entity which is the owner in either case. *8440 LLC v. Midnight Oil Co.*, 59 USPQ2d 1541 (TTAB 2001).