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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92049838
Party	Defendant Body Up Fitness LLC
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Attachments	Registrant's Request for Reconsideration.pdf (12 pages)(691448 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

BELLO FITNESS LTDA.,	)	
Petitioner,	)	
v.	)	Cancellation No. 92049838
BODY UP FITNESS LLC,	)	
Registrant.	)	

REGISTRANT'S REQUEST FOR RECONSIDERATION

I. INTRODUCTION

Registrant, Body Up Fitness LLC ("Registrant"), requests reconsideration of the decision of the Trademark Trial and Appeal Board (the "Board"), dated October 28, 2011, granting the Petition for Cancellation of Petitioner, Bello Fitness Ltda. ("Petitioner").

In summarizing its decision, the Board stated the following:

> We do not make findings as to what those assets are inasmuch as that requires interpretation of the distribution agreement which may only be done pursuant to arbitration[1]....
>
> In view of the unambiguous arbitration clause, we will not determine the parties' respective rights based on this agreement" noting in a footnote 5 "that paragraph 6 of the distribution agreement grants the distributor "an exclusive and irrevocable license to register and use the trademark." [2] (emphasis added).....
>
> In view of the testimony presented as to petitioner's use prior to respondent's November 15, 2005 filing date, petitioner has established its priority with respect to its common law rights

[1] Board Opinion, at 6.
[2] *Id.* at 8.

> in the mark BODY UP for active wear clothing. Accordingly, petitioner has proven its claim of likelihood of confusion under Section 2(d) of the Trademark Act.[3]

The Board made a fundamental and critical error when it failed to determine the parties' respective rights based on its conclusion of the ambiguity of Paragraph 6 of the Distribution Agreement and that it should be interpreted by arbitration. Paragraph 6 is not ambiguous and is subject to interpretation by the Board.

Registrant Body Up Fitness LLC obtained, irrevocably and exclusively, the right to register and to use the BODY UP mark, thus it became the "owner" of the BODY UP mark for the purposes of registration. This Request for Reconsideration is filed, independently of whether or not Petitioner has standing to initiate proceedings or has priority of use, because Petitioner failed to overcome its effective relinquishment and assignment of rights to Body Up LLC, clearly established by the evidence of record. Assignee Body Up LLC then transferred its rights in the BODY UP mark to its successor-in-interest, Registrant Body Up Fitness LLC. The Board erred in granting the Petition for Cancellation on Reg. No. 3295316 on the basis of priority of use because *inter alia* (1) the unambiguous language as to the "exclusive and irrevocable license" of the Distribution Agreement signed by Petitioner was controlling on the critical matter of ownership (the arbitration clause, which the Board actually determined was "unambiguous," was not required to be triggered to resolve ownership), and (2) the grant to Registrant's predecessor-in-interest of an "exclusive and irrevocable license to register" from Petitioner was legally an effective assignment to Body Up LLC of ownership of trademark rights for the purposes of registration.

[3] *Id.* at 15-16.

Therefore, the Board need not and should not have considered priority of usage or likelihood of confusion as the basis for determination of the matter. Ownership of the mark is and should be the sole determinative issue. The record clearly establishes the divestiture of all rights in the BODY UP mark in the United States by Petitioner and the transfer of the same to the Registrant Body Up Fitness LLC through Body Up LLC.

37 C.F.R. § 2.127 requires a Request for Reconsideration to be filed within one (1) month from the date of the Opinion from which the Request is lodged. Accordingly, this Request is timely filed.

II. ARGUMENT

A. The Distribution Agreement's Unambiguous Language Was Controlling on the Matter of Ownership, Therefore the Arbitration Clause Was Not Required To Be Triggered To Resolve Ownership

The Board's decision subverts the substance of the Distribution Agreement of record and ignores the clear meaning and directives of *Selva v. Nina Footwear*, 705 F.2d 1316, 217 USPQ 641, 647 (Fed. Cir.1983), as to presumptions of ownership in the absence of an agreement. The Distribution Agreement was unambiguous as to the surrender of U.S. rights by Petitioner. The Board erred in suggesting that ownership could not be decided on the record and that the sole issue was priority of use (which clearly is not the issue). Petitioner entered into an explicit agreement, seeking to sell goods in the United States, by setting up a business arrangement through which it was paid (with one of its principals becoming a minority shareholder). Petitioner's business soured and the U.S. distributor, which acquired rights in the United States, transferred its rights to the Registrant herein.

The transfer of ownership rights by the February 26, 2004 Distribution Agreement to Body Up LLC, Registrant's predecessor-in-interest, divested Petitioner of its alleged rights and was sufficient for purposes of registration. Body Up LLC transferred its rights to Registrant (see Bill of Sale[4]). The licensing clause in the Distribution Agreement reads:

> 6. Grant of License. Supplier and Fernanda hereby grant DISTRIBUTOR an exclusive and irrevocable license to register for and use the trademark "Body UP" [sic] throughout the Territory. Notwithstanding anything contained in this Agreement to the contrary, in the event of termination of this Agreement, all ownership rights in and to the trademark "Body Up" and all corresponding logos shall remain with as shall be assigned to DISTRIBUTOR with nothing further necessary or required.[5]

The language of the Distribution Agreement contract is indisputably unambiguous, and therefore the arbitration clause in paragraph 9.5 of the distribution agreement need not be triggered to resolve the ownership issue.

The Board acknowledged the Distribution Agreement of record and the admission of record regarding Petitioner's admission and unambiguously irrevocable surrender of its alleged rights to register and to use the BODY UP mark. Nevertheless, the Board refused to accord any weight whatsoever as to ownership of the BODY UP mark and mistakenly concluded that the evidence of ownership was a matter for determination by arbitration rather than by the Board. The Board concluded that the rejection of Petitioner's pending application on Registrant's registration, in and of itself, presumably gave Petitioner "standing." However, Petitioner's purported "standing" was undermined and eliminated in its entirety by the effect of its irrevocable surrender of its trademark rights in paragraph 6 of the Distribution Agreement. In any event, the ownership issue should be resolved by giving weight to the Distribution Agreement "Grant of License."

[4] Petitioner's Notice of Reliance, Deposition of Almeida, at Exhibit F.
[5] See Distribution Agreement of February 26, 2004.

Just as the Board recognizes the Distribution Agreement's "unambiguous arbitration clause,"[6] it should have likewise considered the licensing clause to be unambiguous. The licensing clause is unambiguous, therefore the Board clearly erred in asserting that "interpretation of the distribution agreement...may only be done pursuant to arbitration...."[7] The licensing clause is clearly valid and effective; the Distribution Agreement, by its terms of paragraph 6, transferred all trademark rights from Petitioner to Body Up LLC for the purposes of registration. Body Up LLC transferred its rights to its successor-in-interest, Registrant Body Up Fitness LLC.

The Board relies on *Audioson Vertriebs-GmbH v. Kirksaeter Audiosonics, Inc.*, 196 USPQ 452, 456-57 (TTAB 1977) to assert that,

> [T]he question of ownership of a trademark as between the manufacturer of a product to which the mark is applied and the exclusive distributor of that product, or as between a foreign manufacturer and the exclusive United States importer and distributor, is a matter of agreement between them, and in the <u>absence of any such agreement</u>, there is the legal presumption that the manufacturer is the owner of the mark[8] (emphasis added).

Consistent with the cited law, the Distribution Agreement between Petitioner and Body Up LLC, Registrant's predecessor-in-interest, is "such agreement" and overcame the "legal presumption" that Petitioner was the owner of the BODY UP mark. The licensing clause in paragraph 6 of the Distribution Agreement ("such agreement") unambiguously transferred ownership rights to Body Up LLC, which then transferred its rights in the BODY UP mark to the Registrant.

A federal court has defined "ambiguity" in the context of contract interpretation:

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[6] Board Opinion, at 8.
[7] *Id.* at 6.
[8] Board Opinion, at 7-8.

> Language is ambiguous if it "is capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business." *Albany Sav. Bank. FSB v. Halpin,* 117 F.3d 669, 673 (2d Cir.1997) (internal quotation marks and citations omitted). Language is unambiguous if "it has a definite and precise meaning, unattended by danger of misconception in the purport of the [contract] itself, and concerning which there is no reasonable basis for a difference of opinion." *Nowak v. Ironworkers Local 6 Pension Fund,* 81 F.3d 1182, 1192 (2d Cir.1996) (quoting *Breed v. Insurance Co. of North America,* 46 N.Y.2d 351, 355, 413 N.Y.S.2d 352, 355, 385 N.E.2d 1280, 1282 (1978)). If extrinsic evidence is unavailing, the Court may construe ambiguous language against the drafting party.

Hard Rock Cafe Int'l (USA) Inc. v. Morton, 1999 WL 717995, at *20 (S.D.N.Y. Sept. 9, 1999). The Distribution Agreement between Petitioner and Body Up LLC, Registrant's predecessor, contained a grant of license with "definite and precise meaning." The phrase "exclusive and irrevocable license to register for and use the trademark 'Body Up'" clearly had "no reasonable basis for a difference of opinion." In similar situations, the court has indeed given precedence to contractual obligations. In *Vogster Entertainment, L.L.C. v. Mostovoy*, a former employee sold his ownership interest in a video game company and agreed to transfer and assign any trademarks back. The court found that his "retention of ownership/registrant rights in the...domain names is likely violative of his contractual obligations." *Vogster Entertainment, L.L.C. v. Mostovoy*, 2009 WL 691215 (E.D.N.Y. March 16, 2009). With regard to the BODY UP mark (Reg. No. 3295316), the Board should have likewise given credence and full weight to Petitioner's "contractual obligations."

Even if the contract were ambiguous (which is not the case), courts have nevertheless ruled on ambiguity based on the contract alone. "When a contract contains ambiguous language and the issue is to be resolved on the basis of the agreement alone, without reference to extrinsic evidence, the issue is to be determined by the courts as a matter of law." *Wyndham Co. v Wyndham Hotel Co.*, 157 Misc.2d 307, 315 (N.Y.Sup. 1992) (tenant has no common law trademark rights against landlord) (citing *Olson Enters. v. Agway Inc.,* 55 N.Y.2d 659 (1981)). In the Southern District of New York, the court has also looked at practical considerations when deciding a matter based on the contract alone:

> Further, even if the license agreement were deemed ambiguous as to the ownership of future designs, ZNZ–Corp.'s construction thereof is wholly implausible and does not create a material issue of fact so as to defeat summary judgment. For plaintiff's view to be cognizable, Grace would have to agree to finance and take a 70% interest in a business (both profits and liabilities) whose entire intellectual property and inventory belonged to the 30% owner, who had the option to shutter that business if she were ever fired leaving it a bereft shell. Every design that ZNZ–LLC' [sic] employees created and every relationship it developed with a retailer vis-à-vis the Zeke N' Zoe line belonged to ZNZ–Corp, and ultimately to Terranova herself. To create a material issue of fact on this issue, which it has not done, plaintiff would have had to do more than cite ¶ 1b of the license and a highly improbable interpretation in conclusory fashion.

Zeke N' Zoe Corp. v. Zeke N' Zoe LLC, 2002 WL 72947, at *2 (S.D.N.Y. Jan. 18, 2002). Here, Petitioner never fulfilled its obligations as supplier[9] and that Body Up LLC no longer existed.[10] Therefore, Petitioner's view that the Distribution Agreement was never terminated and that the continuance of the registered Mark would damage Petitioner is not "cognizable." In reality, Petitioner's so-called business was similar to the "bereft shell" in

[9] Petitioner's Notice of Reliance, Deposition of Almeida, at 24.
[10] *Id.* at 16-17.

Zeke N' Zoe; Petitioner cannot claim ownership of the BODY UP mark without having any good will in place.

Additionally, Petitioner has not challenged the validity of the Distribution Agreement in general and has relied upon it; therefore the "licensing clause" remains controlling on the issue of ownership of the BODY UP mark. In *Norden Rest. Corp. v Sons of Revolution in State of N.Y.*, the court determined that the defendant landlord owned common law trademark rights to the name "Fraunces Tavern Restaurant" by examining the lease agreement. Because the plaintiff accepted the licensed use of the name as dictated by the agreement, it was estopped from asserting ownership against defendant. See *Norden Rest. Corp. v Sons of Revolution in State of N.Y.*, 51 N.Y.2d 518, 522 (N.Y. 1980).

B. <u>Registrant's exclusive and irrevocable license was clearly an assignment that included lawful transfer of ownership of rights for trademark registration.</u>

Critically, Petitioner has admitted that it gave up "any right to register or to use" the BODY UP mark,[11] thus confirming that there is no dispute or need for resolution by arbitration. Although the Board interprets this admission not to "clearly contradict petitioner's assertion of ownership,"[12] further examination of the licensing agreement reveals that the transfer of rights was a *de facto* assignment. The Board erred by refusing to acknowledge the effect of the unambiguous paragraph 6 of the Distribution Agreement and refusing to give weight to Petitioner's admission that it gave up any right to register or use the BODY UP mark.

District courts have found that exclusive licensees qualify as assignees and successors of registrants. "[A]n exclusive licensee[] does have a property interest in the trademark and qualifies as an assignee or successor of the registrant." *Ultrapure Sys., Inc.*

[11] Board Opinion, at 14.
[12] *Id.*

v. HAM–LET Group, 921 F.Supp. 659, 665–66 (N.D.Cal.1996). "Whether a transfer of a particular right or interest operates as an assignment or a license depends upon the extent of the interest transferred. For example, when a patent owner grants to another the exclusive right to make, use, and sell a patented machine within a certain district, the transfer operates as an assignment." *Etri, Inc. v. Nippon Miniature Bearing Corp.,* 85 Civ. 615, 1989 WL 99575, at *3 (N.D.Ill. Aug. 18, 1989). In the present case, "the extent of the interest transferred" was comprehensive: Registrant took over all assets of Body Up LLC and made, used, and sold clothing under the BODY UP mark. Therefore, Registrant was the lawful successor-in-interest of Body Up LLC and, as such, the rightful owner and registrant of the BODY UP mark. The *Calvin Klein* court in the Southern District of New York has also considered exclusive licenses to be assignments in the context of standing:

> The [Lanham] Act...defines registrant as including the registrant and its "legal representatives, predecessors, successors and assigns." *Id.* § 1127. Despite this seemingly definite and circumscribed statutory language, a few courts have found that in certain circumstances an exclusive licensee has standing to sue under Section 32. *See Quabaug Rubber Co. v. Fabiano Shoe Co.,* 567 F.2d 154, 159 (1st Cir.1977) (dictum); *Ultrapure Sys., Inc. v. HAM–LET Group,* 921 F.Supp. 659, 665–66 (N.D.Cal.1996); *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.,* 753 F.Supp. 1240, 1245 (D.N.J.), *aff'd,* 935 F.2d 1281 (3d Cir.1991); *Etri, Inc. v. Nippon Miniature Bearing Corp.,* 85 Civ. 615, 1989 WL 99575, at *3 (N.D.Ill. Aug. 18, 1989). Those courts have stated that standing may exist where the "licensing" agreement grants to an exclusive licensee a property interest in the trademark, or rights that amount to those of an assignee. *See Quabaug,* 567 F.2d at 159 n. 2 ("15 U.S.C. § 1127 provides that the term registrant embraces the assignee thereof, and an exclusive licensee is an assignee."); *Ultrapure,* 921 F.Supp. at 666 (holding that an exclusive licensee has standing under § 1114 where the licensee, by license agreement, effectively "qualifie[d] as an assignee or successor of the registrant"); *Etri,* 1989 WL 99575, at *3 (finding standing because the agreement between licensor and plaintiff licensee, "although entitled a 'License

> Agreement,' operates as an assignment of [licensor's] interests in the trademark"); *see also Finance Inv. Co. v. Geberit A.G.*, 165 F.3d 526, 531 (7th Cir.1998) (quoting 3 Jerome Gilson, Trademark Protection & Practice § 8.16(1)(b) (1997)) ("[A] truly exclusive licensee, one who has the right even to exclude his licensor from using the mark ... is equated with an assign[ee] since no right to use [the mark] is reserved to the licensor, and the licensee's standing derives from his presumed status as an assignee.").

Calvin Klein Jeanswear Co. v. Tunnel Trading, 2001 WL 1456577, at *4 (S.D.N.Y. Nov. 16, 2001).

II. SUMMARY

The unequivocal facts of the present case, most importantly the clear meaning and effect of Paragraph 6 of the Distribution Agreement, Petitioner's admissions relating thereto, and the law cited and applied, establish that Petitioner by contract divested itself of its trademark rights and transferred them to Body Up LLC. Those transferred rights were in turn then transferred from Body Up LLC informally without a writing, and then, formally with a writing to Registrant, by the written Bill of Sale from Body Up LLC. The Bill of Sale affirmed what *de facto* had taken place between Body Up LLC and Registrant under the Distribution Agreement.

The Distribution Agreement's unambiguous language clearly transferred ownership in the BODY UP mark from Petitioner to Registrant's predecessor-in-interest, Body Up LLC, which then assigned the BODY UP mark to Registrant. Therefore the Distribution Agreement's arbitration clause, paragraph 9.5, need not and should not have been required to be triggered to resolve the meaning of paragraph 6, the unequivocal grant of license and effective assignment including the right to "register for" the mark.

III. CONCLUSION

For the reasons set forth above, the Board erred and should reconsider its decision on the Petition for Cancellation. The BODY UP mark was lawfully and unambiguously assigned to Registrant's predecessor-in-interest for purposes of registration, and the ownership rights were in turn transferred to Registrant. Petitioner irrevocably surrendered its trademark rights in the United States, and its alleged priority of use is irrelevant as of the date of surrender. It cannot recover them in a belated effort to avoid the consequences of its agreement. Petitioner divested itself of its rights in the BODY UP mark. Registrant obtained those rights and registered those rights. The Petition for Cancellation should be dismissed with prejudice.

Respectfully submitted,

LADAS & PARRY LLP

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BELLO FITNESS LTDA., Petitioner,	)	
v.	)	Cancellation No. 92049838
BODY UP FITNESS LLC, Registrant.	)	

CERTIFICATE OF SERVICE

Honorable Commissioner for Trademarks
P.O. Box 1451
Alexandria, VA 22313-1451

Sir:

I hereby certify that a true copy of the foregoing REGISTRANT'S REQUEST FOR RECONSIDERATION was served by first class mail and email this 23rd day of November, 2011, on the following Attorney for Petitioner:

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Respectfully submitted,

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11/23/11

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