This Opinion is Not a Precedent of the TTAB

Mailed: September 23, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

In re Systemax Inc.

Serial Nos. 88150991 and 88151072

Michael F. Sarney of Moritt Hock & Hamroff LLP, for Systemax Inc.

Alex Seong Keam, Trademark Examining Attorney, Law Office 114, Laurie Kaufman, Managing Attorney.

Before Shaw, Lynch and English, Administrative Trademark Judges.

Opinion by English, Administrative Trademark Judge:

Systemax Inc. ("Applicant") seeks registration on the Principal Register of the

standard character mark SYSTEMAX1 and the mark



¹ Application Serial No. 88150991; filed October 11, 2018 alleging 1994 as the date of first use and first use in commerce under Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a).

² Application Serial No. 88151072; filed October 11, 2018 alleging 1994 as the date of first use and first use in commerce under Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a). The application includes the following description of the mark: "The mark consists of the wording 'SYSTEMAX' in the color blue with a red arch extending above the wording. The

for "holding company services, namely, providing business management, business administration, and human resource management services to subsidiaries and affiliates therefore" in International Class 35.

The Examining Attorney refused registration of each application on grounds that:

(1) the services identified in the involved application are not registrable services within the meaning of Sections 1, 2, 3, and 45 of the Trademark Act, 15 U.S.C. §§ 1051-1053, and 1127; and (2) Applicant's original and substitute specimens do not show use of Applicant's mark for the identified services under Sections 1 and 45 of the Trademark Act, 15 U.S.C. §§ 1051 and 1127.3 After the refusals were made final, Applicant appealed and filed requests for reconsideration, which were denied. The appeals resumed and are fully briefed.

For the reasons explained below, we affirm the refusal of each application on the ground that the specimens do not show use of the applied-for mark for the recited services. Accordingly, we do not reach whether the services are registrable. *See, e.g., In re Brack*, 114 USPQ2d 1338, 1343 (TTAB 2015).

wording 'MAX' has white horizontal bars throughout." The colors blue, red, and white are claimed as features of the mark.

³ The Examining Attorney also refused registration under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d), citing a likelihood of confusion with a prior-registered mark. Applicant submitted a consent agreement with the owner of the cited registration and the Examining Attorney withdrew the Section 2(d) refusal. February 4, 2020 Request for Reconsideration at TSDR 11; February 25, 2020 Denial of Request for Reconsideration at TSDR 2.

In addition, the Examining Attorney required and Applicant submitted a new drawing in application Serial No. 88151072. Application Serial No. 88151072, January 28, 2019 Office Action at TSDR 5; July 17, 2019 Office Action Response at TSDR 5; August 5, 2019 Final Office Action at TSDR 7.

I. Proceedings Consolidated

When an applicant has filed ex parte appeals to the Board in co-pending applications, and the cases involve common issues of law or fact, the Board, upon request by the applicant or examining attorney or upon its own initiative, may order the consolidation of the appeals for purposes of briefing, oral hearing, or final decision. Trademark Trial And Appeal Board Manual Of Procedure (TBMP) § 1214 (2020) and authorities cited therein. See also, e.g., In re Anderson, 101 USPQ2d 1912, 1915 (TTAB 2012) (Board sua sponte consolidated two appeals); In re Country Music Assoc., Inc., 100 USPQ2d 1824, 1827 (TTAB 2011) (same). Because these cases involve common issues of law and fact, the Board consolidates these appeals.⁴

II. Applicant's Specimens do not Show Use of the Applied-for-Marks for the Applied-for-Services.

Each of Applicant's specimens displays Applicant's marks. The basis for the Examining Attorney's refusal is that the specimens do not reference or associate the marks with the applied-for services.⁵

Section 45 of the Trademark Act, 15 U.S.C. § 1127, provides that a service mark is used in commerce "when it is used or displayed in the sale or advertising of services

⁴ The evidentiary records for these applications are identical. We refer to the record in application Serial No. 88150991 unless otherwise indicated. All citations to documents contained in the TSDR database are to the downloadable .pdf versions of the documents in the USPTO TSDR Case Viewer. *See, e.g., In re Peace Love World Live, LLC*, 127 USPQ2d 1400, 1402 n.4 (TTAB 2018). References to the briefs on appeal refer to the Board's TTABVUE docket system. Before the TTABVUE designation is the docket entry number and after this designation are the page references.

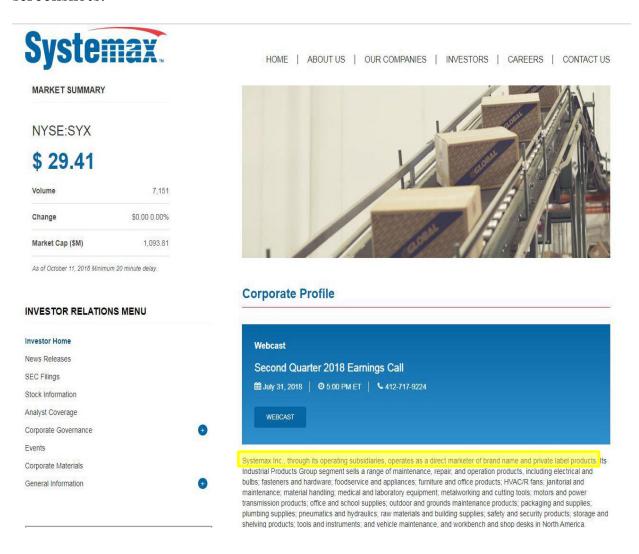
⁵ Examining Attorney's Brief, 11 TTABVUE 10.

and the services are rendered in commerce." *See also* 37 C.F.R. § 2.56(b)(2). "To determine whether a mark is used in connection with the services described in the [application], a key consideration is the perception of the user." *In re JobDiva, Inc.*, 843 F.3d 936, 121 USPQ2d 1122, 1126 (Fed. Cir. 2016) (citation omitted). The question is whether the evidence of Applicant's use of its marks creates an association between the marks and the applied-for-services. *Id*.

"Specimens showing the mark used in rendering the identified services need not explicitly refer to those services in order to establish the requisite direct association between the mark and the services, but 'there must be something which creates in the mind of the purchaser an association between the mark and the service activity." In re Way Media, 118 USPQ2d 1697, 1698 (TTAB 2016) (quoting In re Johnson Controls, Inc., 33 USPQ2d 1318, 1320 (TTAB 1994)). For specimens showing the mark in advertising, the "specimen must not only contain a reference to the service, but also the mark must be used on the specimen to identify the service and its source." Id. (quoting In re Osmotica Holdings Corp., 95 USPQ2d 1666, 1668 (TTAB 2010).

Showing only the mark with no reference to, or association with, the services does not show service mark usage. *In re Adair*, 45 USPQ2d 1211, 1214-15 (TTAB 1997); *In re Duratech Indus. Inc.*, 13 USPQ2d 2052, 2054 (TTAB 1989). Thus, an acceptable specimen must show "some direct association between the offer of services and the mark sought to be registered therefor." *In re Universal Oil Prods. Co.*, 476 F.2d 653, 177 USPQ 456, 457 (CCPA 1973).

Applicant filed with its application the following specimens consisting of website screenshots:⁶



⁶ October 11, 2018 specimens.



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The Industrial Products Group

For almost 70 years, the Industrial Products Group has been selling private-label and brand-name industrial equipment and supplies to businesses throughout the U.S. and Canada under the names Global Industrial, Global Industrial CA / Avenue, C&H Government, Nexel, Industrial Supplies and PFI. The IPG offers a large selection of industrial, material handling and business products that are sold through our websites, our corporate sales force and our full-color catalogs.



Applicant points to the highlighted text on the first screenshot as demonstrating use of its marks for the applied-for-services:

Applicant's original specimen plainly states that, "through its operating subsidiaries," Applicant operates as a direct marketer of brand name and private label products. As such, Applicant necessarily and inherently provides administration and management services to its subsidiaries; otherwise it would not be able to operate as a direct marketer "through" them.

This argument is unpersuasive. The screenshot describes the direct marketing activities of Applicant's subsidiaries and attributes these activities to Applicant. The screenshot does not refer to Applicant managing its subsidiaries in this or any other endeavor. Nor does the screenshot support such an inference or otherwise reference

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⁷ Applicant previously acknowledged that "[t]he statement in the specimen ... that Applicant operates as a marketer of goods ... means [that Applicant] offers for sale and sells goods

"holding company services, namely, providing business management, business administration, and human resource management services to subsidiaries and affiliates therefore." The same is true of the second screenshot which refers only to "the Industrial Products Group selling private-label and brand name industrial equipment and supplies[.]"

We now turn to Applicant's three substitute specimens shown below.⁸

1. 2014 Proxy Statement and Annual Report:



Dear Fellow Stockholders,

In 2014, we made significant progress in our efforts to strengthen our businesses, optimize our operations and improve our competitive positions. We continued to invest in our ability to bring more value to our customers and deepen our relationships, through improved service levels, an expanded product offering and the introduction of new solutions capabilities. Our financial performance for the year included a nine percent increase in our business-to-business (B2B) sales, offset by soft consumer revenues, which resulted in a modest consolidated revenue gain. These results highlight the focus we have placed on our B2B operations the past several years and the opportunities we see in this marketplace.

Our Industrial Products Group delivered another year of outstanding performance with 2014 revenue up 17% to \$556 million, and adjusted operating income of \$43 million. Global Industrial continues to gain market share and we are making prudent investments in the business that will further strengthen our competitive position and enhance our ability to execute on our operating plan. As part of this strategy, in January 2015 we closed on our acquisition of the Plant Equipment Group (P.E.G.) from TAKKT America, which includes the C&H Distributors brand in the U.S. and the Avenue brand in Canada. P.E.G. is a great addition to the Industrial family that provides us with an experienced and dedicated employee base, expands our ability to serve the MRO market, and broadens our geographic footprint. In addition, we are bringing additional value to customers by adding customized expertise to our sales force.

In our EMEA Technology business, 2014 revenue increased almost nine percent as we benefited from our acquisition of SCC Services in the Netherlands, a strong performance in France and favorable currency exchange rates. During the year we completed our transition to a pan-European operating model as we moved additional functions from legacy countries to our shared services center in Hungary. We expect to see a more normalized cost structure moving forward and to capture some of the benefits we anticipated when we began this restructuring more than two years ago. In June 2014 we

though the subsidiaries it operates." February 4, 2020 Request for Reconsideration at TSDR 10.

⁸ *Id.* at TSDR 30-39.

acquired SCC Services, which we ve reoranded as MISCO Solutions. This acquisition allows us to provide additional value to our customers through an expanded services offering, an effort that is a key strategic initiative across our EMEA operations.

In 2014 our North American Technology Products Group delivered, year-over-year growth in our B2B business, though consumer results remained challenging. Performance in 2014 and in prior years, along with continuing trends in the first quarter of 2015 led us to the strategic and operational decision to accelerate our B2B and public sector customer focus in North American Technology. We have taken a number of actions across the business to optimize our operations in-line with this focused approach on the B2B marketplace and its higher lifetime value customers. Under this new strategy, we also made the decisions to serve the consumer market exclusively through our ecommerce platforms and to exit from substantially all our bricks and mortar retail stores. These strategic decisions are difficult, but reflect the opportunity we see in B2B. We expect most of these actions to be completed by the middle of 2015 and that our North American Technology business will emerge from this process as a focused B2B IT products and solutions provider with a streamlined operating structure.

With the strategic actions we are taking in North American Technology, all of our operations across Europe and North America will be B2B centric, a market we have served continuously since Systemax's founding 65 years ago, and one where we see continued opportunity across all our geographies. Our entire company is now focused on serving the business marketplace and with a strong balance sheet we are well positioned to continue to invest in our businesses. I would like to thank all of our shareholders for their support, and our employees for their dedication and commitment.

Sincerely.

Richard Leeds

Chairman and Chief Executive Officer

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April 29, 2015

2. 2016 Proxy Statement and Annual Report



Dear Fellow Stockholders,

More than a year ago we commenced a strategy to exit our underperforming businesses and streamline our Company. With the sale of our former North American Technology Group in late 2015, the sale of Germany in September 2016, the sale of Afligo in December 2016 and the sale of the remainder of our underperforming businesses in Europe in March 2017, we have substantially completed this initiative and successfully transformed Systemax. Each of these businesses generated significant losses for several years and their disposition substantially improves our overall profitability. While certain wind down activities remain, we are now focused on our core operations.

Today, Systemax is essentially a new company. We have shed unprofitable operations that hid the growth, potential and value of our profitable Industrial Products Group ("IPG") and our France technology Value Added Reseller businesses. IPG and France are both highly successful and we are now fully focused on driving their growth and profitability.

IPG had another solid year as topline growth continues to outperform many of its peers within the overall MRO market. Revenues reached a record \$715 million for 2016, which represented increases in average daily sales of nearly 3%. Industrial's product margins are stable and the business is focused on improving execution and better leveraging the infrastructure it has built the past two years. We recently completed our warehouse management system conversion placing all North American distribution centers on a single platform and look forward to achieving the customer benefits and cost efficiencies from this new system in

2017. We also made significant progress in strengthening key customer and vendor relationships. A large part of this effort included the launch of our customer and vendor shows last year and we plan to host two of these events in 2017.

France had another exceptional year with revenue of \$417 million, double digit constant currency average daily sales growth, expanded gross margins, improved SG&A leverage, and record operating profit of \$19 million. France has a great management team, outstanding vendor and customer relationships, a long-tenured sales organization and remains well positioned for continued success in 2017.

With a simplified and focused operating footprint and a strong cash position, we have the flexibility to continue to invest in our businesses and evaluate strategic acquisitions that can accelerate our performance. We are returning capital to shareholders through our quarterly dividend and our entire team is committed to improving margin performance, which remains an area of significant opportunity.

We would like to thank our employees, customers, vendors and stockholders for their support and look forward to keeping you updated on our progress.

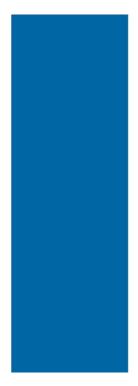
Sincerely,

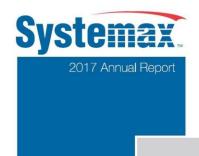
Larry Reinhold

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President and Chief Executive Officer

3. 2017 Annual Report





TO RECEIVE ADDITIONAL INFORMATION ON SYSTEMAX PLEASE SEND A WRITTEN REQUEST TO:

CORPORATE HEADQUARTERS:

Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050
516-608-7000 ext. 7181
Email: investinfo@systemax.c.

Email: <u>investinfo@systemax.com</u>
Web Site: <u>http://www.systemax.com</u>

INVESTOR RELATIONS:

The Plunkett Group 106 West 32nd Street 2nd Floor - Suite 169 New York, NY 10001 Attention: Mike Smargiassi (212) 739-6740

Email: syx@theplunkettgroup.com Website: www.theplunkettgroup.com

TRANSFER AGENT:

American Stock Transfer & Trust Company LLC 6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
Engelt info@coffpagaiol.com

Email: info@astfinancial.com Website: www.astfinancial.com

SEND CERTIFICATES FOR TRANSFER AND ADDRESS CHANGES TO:

American Stock Transfer & Trust Company LLC 6201 15th Avenue Brooklyn, NY 11219

STOCK EXCHANGE:

The Company's shares are traded on the New York Stock Exchange under the symbol SYX.

CORPORATE GOVERNANCE

Copies of the Company's 2017 Annual Report on Form 10-K, Proxy Statement for the 2018 Annual Meeting, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission are available online at www.systemax.com or to stockholders without charge upon written request to the Company's address listed above, Attention: Investor Relations. In addition, on the Corporate Governance page of the Company's website, www.systemax.com, stockholders can view the Company's Corporate Ethics Policy, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter and Corporate Governance Guidelines and Principles.

Systemax Inc. (www.systemax.com) sells industrial and technology products through a system of branded e-Commerce websites and relationship marketers in North America and France. The primary brands are Global Industrial and Inmac Wstore.



Dear Fellow Stockholders,

2017 was an exceptional year at Systemax as we further streamlined our operations, executed on our growth and optimization initiatives, and produced strong financial performance. During the year, we substantially completed the strategic transformation of the company with the March 2017 sale of our non-French European businesses. Our continuing North American Industrial Products Group ("IPG") and France Technology Value Added Reseller ("France") businesses both delivered double digit organic increases in their top and bottom line results and we had strong cash flow generation. With this exceptional performance and our solid balance sheet we continued to return cash to shareholders, including a recurring quarterly dividend that we recently increased as well as a special one-time dividend of \$1.50 per share.

IPG had a home run year with almost \$800 million in revenue, an increase of 11% on a constant currency average daily sales basis. Sales gains were driven by strong performance in our core product offering and growth in both new customer generation and the expansion of existing customer relationships. IPG also delivered a significant gain in operating income, which more than doubled to \$71 million. Leverage improved across the business as we benefited from a number of projects to enhance the customer experience and drive long term cost efficiencies. This included the implementation of a new warehouse management system and additional IT data tools for our sales team to better target, profile and service customers. IPG is well positioned for further success and we are implementing additional initiatives to drive top line sales, efficiently support increased volumes, and enhance future profitability.

France had another outstanding year, with 2017 revenue of \$474 million, an increase of 12% on a local currency average daily sales basis. It extended its record of organic annual double digit top line growth to four consecutive years and was recently ranked as the fifth largest IT reseller in the country. France continues to show strong profitability as it delivered more than \$25 million in operating income, an increase of 28%. It remains well positioned to benefit from its excellent customer and vendor relationships and has an expanding offering of valued-added products and services, which are strengthening its reputation as a one stop solutions partner.

Our IPG and France businesses are highly successful, well-managed, and positioned among the leaders in their respective markets. Their performance is a direct reflection of the dedication and efforts of each of our associates the past several years and the completion of a number of projects designed to enhance our competitive position and drive long-term profitability. We are executing on additional growth and productivity initiatives at both of these businesses, which we believe will position them for continued success. With growing cash flows and a strong cash position we have significant flexibility to execute our business plan and return capital to shareholders in the year ahead

We would like to thank our employees, customers, vendors and stockholders for their support and look forward to keeping you updated on our progress.

Sincerely,

Larry Reinhold

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President and Chief Executive Officer

Applicant argues that the "annual reports, which are publicly disseminated, display Applicant's mark[s] and describe management and administrative functions that it provides to its subsidiaries, including evaluating and making strategic acquisitions, moving various business locations to central geographic locations, transitioning to online sales platforms for certain consumer directed businesses, implementing strategies to exit underperforming businesses, implementing a warehouse management system conversion, undertaking asset sales, and implementing growth and productivity initiatives (see yellow highlighted versions thereof)."9

The Examining Attorney asserts that the substitute specimens are unacceptable because annual reports and stockholder letters:¹⁰

[A]re not generally used in the sale or advertisement of the services. Annual reports to stockholders are merely that — a business document the purpose of which is to inform shareholders of the state of a business. The "Proxy Statement and Annual Report to Stockholders' from years 2014 and 2016 and a letter to stockholders are not used in the sale or advertisement of the services but are used to inform stockholders about the status of their investments. Significantly, they are addressed 'Dear Fellow Stockholders,' which shows that the reports and letter are directed to applicant's stockholders rather than used to advertise or sell its services to new customers. ¹¹

In reply, Applicant asserts that because its annual reports are publicly disseminated, "they are available to stockholders and potential investors alike, and

⁹ Appeal Brief, 9 TTABVUE 6.

¹⁰ Applicant's assertion that we should disregard these arguments because the Examining Attorney did not raise them during prosecution is without merit because the basis for refusal remains the same. *See In re D.B. Kaplan Delicatessen*, 225 USPQ 342, 342 n.2 (TTAB 1985); TBMP § 1217.

¹¹ Examining Attorney's Brief, 11 TTABVUE 11.

therefore, clearly convey to both that Applicant provides the specified services to its subsidiaries and affiliates." 12

We find that the proxy statements and annual reports do not demonstrate use of Applicant's marks in the sale or advertising of "holding company services, namely, providing business management, business administration, and human resource management services to subsidiaries and affiliates therefore." As an initial matter, the documents are addressed to Applicant's shareholders (Applicant's owners) rather than to subsidiaries or affiliates, specified in the application as Applicant's consumers. Moreover, the purpose of the documents is to update Applicant's shareholders about the internal workings and financial state of Applicant's own business. As such, the substitute specimens do not refer to or associate Applicant's marks with the specified holding company services of business management, business administration and human resource management for subsidiaries and affiliates. The documents tout steps, such as acquiring and divesting businesses, selling assets, and relocating businesses, that Applicant has undertaken to streamline its business and increase profits. To the extent any of the activities

¹² Reply Brief, 12 TTABVUE 5.

¹³ "Annual report" is defined as "a usually lengthy report issued yearly by an organization giving an account of its internal workings and especially its finances" and "proxy statement" is defined as "a document containing information about a proposed corporate action that the corporation is required to submit to shareholders for their vote on the action." Merriam-Webster online dictionary, https://www.merriam-webster.com/dictionary/annual%20report and https://www.merriam-webster.com/legal/proxy%20statement (last visited September 23, 2020 (emphasis added). The Board may take judicial notice of online dictionaries that exist in printed format or have regular fixed editions. *In re White Jasmine LLC*, 106 USPQ2d 1385, 1392 n.23 (TTAB 2013).

described in the reports may be broadly construed as business management or administration activities, the annual reports and proxy statements support that Applicant engaged in such activities to increase its own profitability for the benefit of its shareholders rather than for subsidiaries or affiliates as specified in the recitation of services. In viewing these specimens, consumers would not perceive the marks as source identifiers for the recited holding company services.

In view of the foregoing, we find that Applicant has not demonstrated use of Applicant's marks for the applied-for-services.

III. Applicant's Request to Amend the Filing Bases of its Applications is Denied.

In the final paragraph of each of its briefs, Applicant includes for the first time, an alternate request for relief: "[I]n the event that the Board finds that Applicant's specimens are insufficient, Applicant respectfully requests the opportunity to amend the subject application[s] to seek registration under Section 1(b) of the Trademark Act."¹⁴

Once an application has been considered and decided on appeal it will not be reopened except for the entry of a disclaimer or upon order of the Director. Trademark Rule 2.142(g), 37 C.F.R. § 2.142(g). See also In re Societe D/Exploitation de la Marque Le Fouquet's, 67 USPQ2d 1784, 1789 (TTAB 2003) (Board has no authority to grant applicant's request made for the first time in the last sentence of its appeal brief to amend application to seek registration on an intent-to-use basis);

 $^{^{14}}$ Appeal Brief, 9 TTABVUE 6.

TBMP §§ 1217-1218 (2020); TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMEP) § 1501.06 (Oct. 2018) and cases cited therein. Rather than burying its alternative request for relief in its briefs, Applicant should have raised this issue prior to appeal, or sought a remand for good cause prior to final decision.

Accordingly, Applicant's alternative request for relief is denied.

Decision: In view of the foregoing, each refusal to register Applicant's mark on the ground that Applicant's original and substitute specimens do not show use of Applicant's mark for the identified services under Sections 1 and 45 of the Trademark Act is affirmed.