***1** THIS OPINION IS CITABLE AS PRECEDENT OF THE T.T.A.B.

Commissioner of Patents and Trademarks
Patent and Trademark Office (P.T.O.)

THE CLOROX COMPANY
v.
CHEMICAL BANK
Cancellation No. 23,559
July 2, 1996

Before Rice, Simms and Hohein

Administrative Trademark Judges

Opinion by Hohein,

Administrative Trademark Judge

The Clorox Company has petitioned to cancel the registration issued to Chemical Bank for the mark "SUPER SCRUB" for a "tub, tile and all purpose household cleanser". [FN1]

As grounds for cancellation, petitioner has alleged, in addition to a claim of priority of use and likelihood of confusion with its previously used and registered mark "SOFT SCRUB" for a "household cleaner," [FN2] that:

10. Registrant's registration is invalid and should be cancelled because the intent-to-use application from which it registered was assigned in violation of the prohibition against assignments of intent-to-use applications contained in Title 15 U.S.C. Section 1060.

11. Upon Petitioner's information and belief, first use of the trademark "SUPER SCRUB" by Registrant or any predecessor in interest was not earlier than October 5, 1992.

12. Upon Petitioner's information and belief, the name and address of the current owner of the registration sought to be cancelled is: Chemical Bank, 7th Floor, 633 Third Avenue, New York, New York 10017-6764.

Respondent, in its answer, [FN3] has admitted "the allegations contained in Paragraph 11" and that its registration was "base[d] upon a first use on October 5, 1992," but has denied the remaining salient allegations of cancellation petition. In addition, respondent has asserted the following defenses:

1. The intent of the parties in executing the "assignment" referenced in Paragraph 10 of Petitioner's Petition was to create a security interest in the intent-to-use application which matured into Registration No. 1,868,801 and accordingly, the application was not "assigned" within the purview of 15 U.S.C. § 1060 and the registration remains valid and unaffected by the provisions of 15 U.S.C. § 1060.

2. The "assignment" referenced in Paragraph 10 of Petitioner's Petition, was invalid ab initio and thus without legal effect. Accordingly, Registrant's Registration is valid and unaffected by the

provision[s] of 15 U.S.C. § 1060.

Section 10 of the Trademark Act, 15 U.S.C. § 1060, provides in relevant part that (emphasis added): [FN4]

> A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. However, no application to register a mark under section 1(b) shall be assignable prior to the filing of the verified statement of use under section 1(d), except to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing.....

***2** This case now comes up on respondent's motion for partial summary judgment [FN5] in its favor "on the issue of whether Registrant's registration, which matured from an intent-to-use application, is valid despite the fact that the application was assigned prior to the filing of a statement of use." Respondent, in support of its motion, has submitted briefs [FN6] and a copy of a document entitled "TRADEMARK AND TRADENAME [sic] SECURITY ASSIGNMENT AND LICENSE AGREEMENT". [FN7] Petitioner has filed a brief in opposition to the motion.

According to respondent, there is no dispute that on September 2, 1992, USA Detergents Inc. ("USA") filed the underlying application, based upon a claimed bona fide intention to use, which matured into the registration now sought to be cancelled; that on November 13, 1992, "as part of a larger 'Loan and Security Agreement' between USA and Chemical Bank ('Chemical'), USA and Chemical executed a 'Trademark and Tradename [sic] Security Assignment and License Agreement' which purported to assign USA's 'SUPER SCRUB' application, ... as part of a group of other registrations and 'use' applications, to Chemical"; that "[t]he intention of USA and Chemical in executing the security 'assignment' was to provide Chemical with collateral under the larger Loan and Security Agreement"; that "[i]t was never Chemical's intention to use the instant mark or any mark in commerce"; that "the agreement which provided for the 'assignment' of the application simultaneously provided for the license back to USA [of] all rights in the 'SUPER SCRUB' application and mark and for a re-assignment ('bounce back') to USA when the underlying loan to Chemical is paid"; that "[o]n April 20, 1993, the PTO issued a Notice of Allowance for the 'SUPER SCRUB' application" which "lists USA, not Chemical, as the owner of the mark"; that "[o]n August 23, 1993, USA (not Chemical) filed a Statement of Use"; [FN8] and that "[a] Notice of Acceptance of Statement of Use was issued by the PTO on November 10, 1994," with the resulting registration issuing thereafter. [FN9]

In view of the asserted absence of any genuine issue of material fact, respondent maintains that "[t]he issue presented by this partial motion for summary judgment is a purely legal inquiry, namely, does the 'assignment' of an intent-to-use ('ITU') application before the filing of a statement of use, under circumstances which evidence the parties' intent to establish a security interest as collateral for a loan agreement, result in the invalidation of the Registration which matured from the intent-to-use application or rather, the invalidation of the 'assignment' transaction"? Respondent, in this regard, contends that (footnotes omitted):

Based on the stated intent of Congress in enacting the ITU "no assignment" provisions, namely to prevent the trafficking in trademarks, there is no basis to cancel the [involved] registration. The purpose of the prohibition is to prevent the trafficking or profiting from the sale of an ITU application. Hence, the remedy must be the ineffectiveness of the attempted assignment. Similarly, the form of the "assignment" document should not prevail over the substance of the agreement and the intent of the parties, which in this instance was clearly the establishment of a security interest as collateral for a loan. And, by comparison to similar scenarios, such as prohibited assignments in gross, which result not in the cancellation of the registration but merely the invalidation of the underlying assignment, the assignment of an ITU application must not result in the cancellation of the resulting registration.

***3** Specifically, respondent argues that because the relevant portion of Section 10 of the statute "does not indicate what effect an assignment in violation of this prohibition will have (e.g., invalidity of the assignment, invalidity of the resulting registration or none)," it consequently "is appropriate to look towards the legislative history behind the provision to determine the Congressional intent in adopting it and how other facets of the same law treat similarly 'prohibited' assignments." The legislative history, respondent insists, "confirms that the intent of Congress in prohibiting the assignment of ITU applications was to prevent the trafficking of marks" and that, in this case:

USA, by inadvertently "assigning" the "SUPER SCRUB" ITU application to Chemical, as a part of the large number of other registrations and "use" applications in their portfolio, has not engaged in the trafficking of a mark. By the very same agreement which purported to assign the application to Chemical, USA was granted a "royalty-free, exclusive license" to use the "SUPER SCRUB" mark on the goods identified in the application. The intent of USA in entering into this agreement with a bank, was to provide Chemical with collateral "to secure payment of all loans...." Chemical never had any interest in obtaining the right to use the "SUPER SCRUB" mark, but mandated the "assignment" as apart [sic] of the loan obligation.

Thus, "in determining the effect of an assignment in violation of the letter of the law," respondent asserts that because "USA maintained the bona fide intention to use the 'SUPER SCRUB' mark in commerce" and did not "profit or otherwise benefit from the trafficking (by sale, license or otherwise) of a mark which it did not have an intention to use," the " 'assignment' of the ITU application [to respondent] did not contravene the intention of Congress in enacting the new provisions of 15 U.S.C. § 1060." Respondent therefore concludes that it "should not be punished with the extraordinary result" of the cancellation of a "duly issued registration," particularly when the intention of the parties to the agreement was simply to create a security interest.

In this latter respect, respondent points out that, "[b]ecause of the relative newness of the provisions for ITU applications and the prohibition against assignment of such applications, there is apparently no decisional law which addresses the issue of the effect of assignments of ITU applications." However, respondent urges that the substance of an agreement must prevail, as a general rule, over its form, and that (footnote omitted): [FN10]

Here, by review of the facts and circumstances surrounding the "assignment" executed by USA and Chemical, it is apparent that the parties merely created a security interest in the "SUPER SCRUB" application as part of the collateral for the simultaneously executed Loan and Security Agreement..... The form of the agreement, an "assignment" and license back, should not prevail over the actual intent of the parties and result of the agreement, that of creating a security interest. In fact, the agreement itself is titled "Trademark and Tradename [sic] Security Assignment and License Agreement." The use of the word "security" in the title of the agreement clearly establishes the parties' intent to establish a security interest, not a true assignment. Section 1060 does not prohibit security interests in ITU applications.

***4** Finally, respondent argues that while an invalid assignment conveys no rights to the assignee, such an assignment does not affect the validity of the mark. In particular, respondent maintains that:

Though there are apparently no reported decisions in the context of assignments of ITU applications, in similar contexts, under the very same section of the Lanham Act, an invalid assignment does not result in the invalidity of the mark, but only in the invalidity of the assignment.

Specifically, section 1060 also prohibits the assignment of registrations or applications without the attending goodwill. Such assignments "in gross" are invalid and operates [sic] to pass no rights to the purported assignee. Id. As long as the assignee continues to use the mark, the validity of the registration is not affected. The decisional law to this effect is legion and the validity of the underlying registration cannot be disputed or disturbed. [[[citations omitted.]

Petitioner, in response, concedes that "[t]he parties are agreed that to date they are aware of no reported decisions interpreting" the effect upon a resulting registration of "the new prohibition against assignments of intent- to-use applications" contained in Section 10 of the Trademark Act. Nevertheless, petitioner contends that respondent's motion must be denied because respondent has failed to meet its burden of establishing that there are no genuine issues of material fact with respect to "the assignment of the intent-to-use application, which subsequently matured into the registration being sought for cancellation herein." According to petitioner, "[t]he inappropriateness of partial summary judgment is immediately apparent upon reading Registrant's motion, which is replete with unsupported assertions about 'the facts and circumstances' and the 'intent' of its Assignor/Assignee." Consequently, petitioner maintains that since respondent has failed to establish the intent, facts and circumstances surrounding "the admitted improper assignment," partial summary judgment is not warranted.

Respondent, in reply, categorically states that, among other things, the parties "are in agreement as to the single, material fact presented by the motion: Registrant's ITU application, ... which matured into Registration No. 1,868,801, was assigned prior to the filing of a statement of use." According to respondent: "No other fact can be considered material to the Board's determination and only genuine issues as to material facts can stand in the way of summary judgment." Furthermore, and solely for purposes ofits motion, respondent states

that (emphasis added):

The other facts in Registrant's brief were presented only for background purposes; to explain how and why the ITU application was assigned. They cannot be considered material to the issues present on summary judgment..... Without conceding that these other facts are material and for the purposes of the motion, Registrant is willing to stipulate to the version of the facts suggested by Petitioner, which, Petitioner contends, raise genuine issues of material fact.

***5** Specifically, Petitioner argues that a genuine issue exists as to the intent of the parties to the assignment in executing the assignment and that this fact is material. For the purposes of this motion, Registrant will stipulate that the intent of the parties as regards execution of the assignment document was, in fact, to execute an assignment. Registrant will stipulate to any intent Petitioner wishes to attribute to the parties because that intent is simply not material to the legal question posed to the Board. Petitioner has suggested no other material fact to which a genuine issue exists. Having so stipulated to Petitioner's version of the only fact to which it contends there is a genuine issue, a genuine issue cannot exist and there is nothing which prevents this Board from reaching the merits of the legal issue presented.

In view of such stipulation, we agree with respondent that there is no genuine issue of material fact for purposes of its motion for partial summary judgment. Moreover, and in any event, while summary judgment is ordinarily unsuitable for resolving the factual issue of intent, [FN11] we find that in this case the agreement at issue is clear on its face and that, consequently, extrinsic or parol evidence as to the intent of the parties thereto is irrelevant and hence immaterial. The issue, instead, is simply one of law concerning the legal effect of assigning an intent-to-use application, prior to the filing of a verified statement of use, if the statutory exception is not met.

The agreement, which as noted previously is entitled "TRADEMARK AND TRADENAME [sic] SECURITY ASSIGNMENT AND LICENSE AGREEMENT" (emphasis added), provides among other things that (emphasis added): [FN12]

THIS TRADEMARK AND TRADENAME [sic] SECURITY ASSIGNMENT AND LICENSE AGREEMENT (the "Agreement") is made this 13th day of November, 1992 by and between U.S.A. DETERGENT INC., a New Jersey corporation, ... (the "Assignor") and CHEMICAL BANK, a New York banking corporation, ... (the "Assignee").

The Assignor, to secure payment and performance of all loans, advances, indebtedness, notes, liabilities, and amounts, ... including, without limitation, those obligations pursuant to a certain Loan and Security Agreement dated of even date herewith between the Assignor and the Assignee (collectively and severally referred to as the "Obligations), hereby assigns and transfers to the Assignee all of the Assignor's right, title and interest in and to all of the Assignor's Tradenames [sic] and/or Trademarks, including without limitation the Tradenames [sic] and Trademarks and any Registrations which have issued thereon, as set forth in Exhibit A attached hereto (collectively and severally referred to as the "Trademarks"), together with the goodwill of the business connected with the use of and symbolized by these respective Trademarks, and such assignment shall be deemed to include the right (but not the obligation) to sue or recover in the name of the Assignee all damages or profits arising out of past infringement and/or

infringement that may arise during the period that this agreement shall be in force between the parties, on any of the respective Trademarks, or for injury to said goodwill, or acts of Unfair Competition either under Federal or State Law.

***6** Subject to the faithful performance of the terms of this Agreement, the Assignee grants a nontransferable, royalty-free, exclusive license to the Assignor for the Trademarks for use on goods set forth in the Registrations or Applications for Registration thereof in the United States Patent and Trademark Office, such license granted being no greater in scope than the rights granted to the Assignee from the Assignor by virtue of this agreement.

The Assignor represents and warrants to and agrees with the Assignee as follows:

1. The Assignor was, prior to this Agreement, the owner of the entire right, title and interest in and to the Trademarks and has adopted, used and is now using the Trademarks in interstate commerce, and has duly and properly registered or is in the process of securing Registration on the Trademarks in the United States Patent and Trademark Office.

....

4. The Assignor shall use the Trademarks on the said enumerated goods in the same or similar manner as it has in the past.... Upon thirty (30) days prior written notice to the Assignee, the Assignor may terminate the use of any of the Trademarks.

5. The Assignor shall, in order to protect the goodwill associated with the Trademarks, and in order to prevent any deception to the public, operate its business in accordance with the requirements of product and service in relationship to the goods as heretofore conducted by the Assignor and agrees to maintain the quality and standards of the goods sold under the Trademarks at least equal to the prior quality and standards set by the Assignor.

6. The Assignor shall permit the Assignee to inspect the goods so that the Assignee may be assured that the quality and standards of the goods are being maintained by the Assignor.

....

11. Upon default by the Assignor in the payment or performance of any of the Obligations, ... or upon default in the performance of any provision of this Agreement, ... the Assignee, may upon written notice to the Assignor, cancel this Agreement and revoke the license and rights granted herein.

....

13. Within thirty (30) days after all of the Obligations of the Assignor to the Assignee have been fully paid and satisfied, the Assignee shall reassign to the Assignor all right, title and interest in the Trademarks, and the Registrations thereon, and the goodwill symbolized by the Trademarks, as assigned by the Assignor to the Assignee, in form suitable for recording by the Assignor in the United States Patent and Trademark Office, except such reassignment shall be free of any warranties or representations on behalf of the Assignee. Upon receipt of such reassignment and the recording thereof in the United States Patent and Trademark Office at the expense of the Assignor, this Agreement shall be terminated.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Agreement to be executed by their duly authorized officers ..., and this Agreement to become effective on the date executed by the Assignee.

***7** It is clear from the above that the agreement, while entered into for purposes of securing loan financing provided by respondent, constituted an outright, rather than conditional, assignment of all right, title and interest in and to the specific trademarks which USA Detergents Inc. warranted to own, including its intent-to-use application for the mark "SUPER SCRUB" for a "tub, tile and all purpose household cleanser". Ownership of such mark and its attendant intent-to-use application, together with the goodwill of the business connected with the use of and symbolized by the mark, which respondent admits was in use since October 5, 1992, was to pass, by virtue of the terms of the agreement, from USA Detergents Inc. (referred to therein as "the Assignor") to respondent, Chemical Bank (referred to in the agreement as "the Assignee"), effective as of November 13, 1992. Although the agreement also provides that respondent, as the assignee, was to license use of the "SUPER SCRUB" mark back to the assignor on the basis of "a nontransferable, royalty-free, exclusive license," it is plain that respondent was not a successor to the business of USA Detergents Inc. since no transfer was made to respondent of the ongoing and existing business to which the mark pertained. Instead, such business was retained by the assignor, which was to "operate its business .. in relation to the goods as heretofore conducted by the Assignor," with all right, title and interest in and to the mark, along with its registration, to be reassigned by respondent only upon satisfaction of the loan obligation by USA Detergents Inc. Thus, and inasmuch as there also is no genuine issue that the verified statement of use (submitted by USA Detergents Inc.) was not filed in connection with the application until August 23, 1993, it is clear that the underlying application which matured into respondent's registration for the mark "SUPER SCRUB" was assigned in violation of the provisions of Section 10 of the Trademark Act.

The dispositive issue herein is accordingly a matter of law rather than material fact. Respondent is correct that the statute does not specify the effect of an assignment of an intent-to-use application which occurs prior to the filing of the verified statement of use and which does not meet the exception provided by Section 10. Moreover, the issue appears to be one of first impression since, like the parties, we are unaware of any reported decision which deals with the legal effect of such a violation. Where, as here, the statute is silent, we must of necessity turn to the legislative history in an effort to discern the intent of Congress in prohibiting such assignments.

Our review thereof convinces us that the remedy intended by Congress, in order to prevent the trafficking in marks which are the subjects of intent-to- use applications, was that any such prohibited assignment is not only invalid, as contended by respondent, but the prohibited assignment also voids the application or any resulting registration. In particular, we observe that as originally drafted, [FN13] the Senate bill, S.1883, proposed to amend Section 10 of the Trademark Act to provide, in relevant part, that:

***8** A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. However, no application to register a mark under Section 1(b) shall be assignable prior to the filing of the verified statement of use ..., except to a successor to the business of the applicant, or portion

thereof, to which the mark pertains.
S.1883, 100th Cong., 1st Sess., 133 Cong.Rec. S16548-49 (daily ed. November 19, 1987), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 116 (1989). The accompanying section-by-section analysis of the bill stated the reasons for such provisions as follows:

The bill prohibits the assignment of an intent-to-use application prior to registration of the mark unless the application is assigned to a successor to the business of the applicant to which use of the mark pertains. Permitting assignment of applications before a mark is used would conflict with the principle that a mark may be validly assigned only with some of the business or goodwill attached to use of the mark and would encourage trafficking in marks.
S.1883, 100th Cong., 1st Sess., 133 Cong.Rec. S16552 (daily ed. November 19, 1987), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 122 (1989). [FN14]

The further language in the exception for an assignment of an intent-to-use application prior to the filing of a verified statement of use, namely, that such an application is assignable to the successor of the business of the applicant, or portion thereof, to which the mark pertains only "if that business is ongoing and existing," was added by H.R.5372, a "clean bill" which was introduced on September 23, 1988. [FN15] See House Judiciary Committee Rep. on H.R.5372, H.R.Rep. No. 1028, 100th Cong., 2d Sess. 24 and 2 (1988), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 300 and 278 (1989). According to the committee report:

[The bill] amends Section 10 of the Lanham Act (15 U.S.C. 1060) by providing that an "intent to use" application may be assigned only to a successor to the business of the applicant or to that portion of the business to which the mark relates. The business of the applicant must be "ongoing and existing." This requirement fills a loophole that would permit otherwise prohibited assignments. For example, an "intent to use" applicant may intend to create a new business in which the mark will be used but decide, after the application is made, not to do so. Without the requirement that the business be "ongoing and existing," the applicant would be able to assign the marks that are the subject of the "intent to use" application to another business, which purports to be a successor to the first company's no longer existing business. By closely limiting assignments, these provisions will protect against trafficking in marks and help ensure that the intention of the "intent to use" applicant is bona fide.
***9** See House Judiciary Committee Rep. on H.R.5372, H.R.Rep. No. 1028, 100th Cong., 2d Sess. 11-12 (1988), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 287-88 (1989).

A compromise version of S.1883, which included the further language added by H.R.5372 to the proposed changes in Section 10 as passed by the House, was ultimately agreed upon by Congress and became the Trademark Law Revision Act of 1988. For present purposes, it is critically important to note that, while other language, relating to a prohibition of registration in situations involving certain agreements between related companies to assign intent-to-use applications and which was proposed by the House to be added to Section 7(d) of the Trademark Act, [FN16] was dropped in the compromise version of S.1883, Congress clearly intended in enacting the present version of Section 10

that any registration issuing from a prohibited assignment of an intent-to-use application should be voided (emphasis added):

> S.1883 prohibits the assignment of "intent to use" applications, except in certain narrowly prescribed circumstances. Although language in proposed section 7(d) regarding restrictions on the issuance of a certificate of registration under circumstances evidencing an intention to evade the law's proscription has been deleted, courts must, when appropriate, examine the circumstances surrounding use of a mark and the issuance of a certificate of registration. If the evidence shows that the relevant parties have improperly evaded the prohibition on assignments, the certificate of registration has been improperly issued and should be voided.....

134 Cong.Rec. H10420 (daily ed. October 19, 1988) (statement of Rep. Kastenmeier), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 324 (1989).

Accordingly, the assignment to respondent, prior to the filing of the verified statement of use, of the intent-to-use application which matured into the registration at issue was not only invalid under Section 10 of the statute, since there was no transfer to respondent of the assignor's ongoing and existing business under the "SUPER SCRUB" mark, but the resulting registration for such mark was also rendered void. In violating, whether unwittingly or otherwise, the statutory provision against assignments of the kind which took place herein, respondent and its assignor engaged in the very trafficking in a mark (albeit for the purpose of providing security for a loan) which Congress plainly sought to prohibit in order to safeguard the intent-to-use system by ensuring that an applicant's intention to use a mark is bona fide. Respondent's registration issued in violation of the prohibition contained in Section 10 and should therefore be voided, i.e., cancelled, as contended by petitioner.

In view thereof, respondent's motion for partial summary judgment is denied as a matter of law. Fed.R.Civ.P. 56(c). Furthermore, although petitioner did not file a cross-motion for partial summary judgment, we find that inasmuch as respondent's pleaded defenses are unavailing and there is no genuine issue of material fact, it is petitioner, who has established its standing to bring this proceeding by filing with its cancellation petition a certified copy of its pleaded registration for the mark "SOFT SCRUB" which shows that the registration is subsisting and owned by petitioner, [FN17] that is entitled to a judgment in its favor on the claim at issue as a matter of law. [FN18]

***10** Petitioner, in light thereof, is allowed until thirty days from the mailing date of this order to advise the Board whether it wishes to go forward on the remaining claim of priority of use and likelihood of confusion, [FN19] failing which such claim will be dismissed without prejudice and, in any event, judgment will be entered in petitioner's favor solely on the claim that respondent's involved registration is invalid because the underlying intent-to- use application from which it matured was assigned in violation of the provisions of Section 10 of the Trademark Act.

Proceeding herein remain otherwise suspended pending possible response to this order.

J.E. Rice

R.L. Simms

G.D. Hohein

Administrative Trademark Judges,

Trademark Trial and Appeal Board

FN1. Reg. No. 1,868,801, issued on December 20, 1994, which sets forth dates of first use of October 5, 1992. The word "SCRUB" is disclaimed.

FN2. Reg. No. 1,023,036, issued on October 21, 1975, which sets forth dates of first use of September 10, 1974; renewed. The word "SCRUB" is disclaimed.

FN3. It is noted that the answer was filed in the name of "CHEMICAL BANK / U.S.A. Detergent Inc. ('Registrant')." However, as noted previously, the registration sought to be cancelled issued in the name of Chemical Bank, which the certificate of registration states is a New York corporation and the "ASSIGNEE OF USA DETERGENTS INC. (NEW JERSEY CORPORATION)".

FN4. The language set forth in italics was added to Section 10 by the Trademark Law Revision Act of 1988, Public Law 100-667 (102 Stat. 3935), November 16, 1988.

FN5. Such motion refers to respondent as "USA Detergents Inc. / Chemical Bank ('Registrant')".

FN6. Respondent's unopposed request for leave to file a reply brief is approved. Trademark Rule 2.127(a).

FN7. The copy shows that such document was recorded in the Patent and Trademark Office ("PTO") at reel 0938, frames 008 through 013, on December 28, 1992.

FN8. We make no comment here on the propriety of the filing of the statement of use by USA rather than by Chemical, the record owner of the application at the time the statement of use was filed. The acceptance by the PTO of the statement of use filed by USA is a matter which has not been pleaded as a possible basis for cancellation, nor have the parties presented arguments thereon.

FN9. Although respondent also states in its initial brief that '[t]he 'assignment' was recorded by the ... Assignment Branch on January 26, 1995" and that "Registration No. 1,868,801 was issued to USA," the

evidence of record shows that such statements are blatantly false. Greater attention to accuracy in factual representations is expected. See Fed.R.Civ.P. 11(b) and 37 C.F.R. § 10.18(a).

FN10. Respondent additionally notes that:

[I]t is well settled that trademarks may be used as security interests. This is commonly accomplished by executing an agreement providing for a future, contingent assignment of a mark or application. Since no goodwill passes upon delivery of a conditional assignment, it is not an assignment in gross. See, e.g., Haymaker Sports, Inc. v. Turian, 581 F.2d 257 [, 198 USPQ 610] (C.C.P.A.1978). Based upon this logic, there is no compelling reason against granting a security interests [sic] in an ITU application.

FN11. See, e.g., Copelands' Enterprises Inc. v. CNV Inc., 945 F.2d 1563, 20 USPQ2d 1295, 1299 (Fed.Cir.1991) and Commodore Electronics Ltd. v. CBM Kabushiki Kaisha, 26 USPQ2d 1503, 1508 (TTAB 1993).

FN12. Included in the list of registrations and applications recited in "Exhibit A" to such agreement is the intent-to-use application which matured into the registration which petitioner presently seeks to cancel.

FN13. Previously, the Trademark Review Commission of the United States Trademark Association had recommended that:

[A]ssignment of an intent-to-use application should not be permitted before use. To permit such assignments (1) would conflict with the principle that a mark may validly be assigned only with some business or good will, and (2) would encourage trafficking in marks. But assignments before use should be permitted as part of a transfer of an intent-to-use applicant's business or the portion thereof to which the mark pertains.

77 TMR 403 (1987), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 43 (1989).

FN14. The Senate Judiciary Committee, in its report on the bill, pointed out that:

To provide further assurance that an applicant's intention to use a mark is bona fide, the legislation amends Section 10 of the Act to prohibit assignments of intent-to-use applications unless the application is assigned with the business associated with the intended use of the mark. This provision ... of the bill ... will prevent utilization of the intent-to-use system to traffic in marks.

The report also noted that the bill's language prohibiting the assignment of an intent-to-use application prior to the filing of the verified statement of use, except when the application is assigned to the successor to the business of the applicant to which the mark pertains, "is consistent with the principle that a mark may be validly assigned only with the business or goodwill attached to the use of the mark and will discourage trafficking in marks." See Senate Judiciary Committee Rep. on S.1883, S.Rep. No. 515, 100th Cong., 2d Sess. 25 and 31 (1988), reprinted in United States Trademark Association, The

Trademark Law Revision Act of 1988 177 and 183 (1989).
15 H.R.5372, 100th Cong., 2d Sess., 134 Cong.Rec. H8135 (daily ed. September 23, 1988).

FN16. Specifically, it was proposed that such section include the provision that: "No certificate of registration may be issued to a related company of the applicant if the application was filed under section 1(b), if the use in commerce relied upon in the affidavit of use was use by the related company and if, at the time such use was made, there was an agreement between the applicant and the related company that the mark should be assigned to the related company." See House Judiciary Committee Rep. on H.R.5372, H.R.Rep. No. 1028, 100th Cong., 2d Sess. 23 (1988), reprinted in United States Trademark Association, The Trademark Law Revision Act of 1988 299 (1989).

FN17. See Trademark Rule 2.122(d)(1) and TBMP § 703.02(a).

FN18. See Tonka Corp. v. Tonka Tools, Inc., 229 USPQ 857, 858-59 (TTAB 1986); Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ 909, 928 (TTAB 1984); and Visa Int'l Service Ass'n v. Life-Code Systems, Inc., 220 USPQ 740, 744-45 (TTAB 1983). See also TBMP § 528.08.

FN19. In the event that proceedings with respect thereto are resumed, the time for respondent to respond to petitioner's first set of discovery requests will be reset and the discovery and testimony periods will be rescheduled.

40 U.S.P.Q.2d 1098

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