

AYCOCK ENGINEERING, INC. v. AIRFLITE, INC.

560 F.3d 1350 (CAFC 2009)

Before NEWMAN and LINN, Circuit Judges, and O'GRADY, District Judge.

Opinion for the court filed by District Judge O'GRADY. Dissenting opinion filed by Circuit Judge NEWMAN.

O'GRADY, District Judge.

In 1970, Respondent-Appellant Aycock Engineering, Inc. ("Aycock Engineering") applied for a service mark, which was registered at the United States Patent and Trademark Office ("USPTO") in 1974 after examination. In 2007, however, the USPTO Trademark Trial and Appeal Board ("TTAB") declared the registration void because it failed to meet the "use in commerce" element of the Lanham Act. Aycock Engineering now appeals the TTAB's ruling. The question presented herein is whether the use in commerce requirement is met when an applicant uses a service mark in the preparatory stages of a service's development, but never offers the service to the public. We hold that it is not.

I. BACKGROUND

In the late 1940s, William Aycock conceived of and began work on a service involving chartering flights in the air taxi industry. At that time, the common practice for air taxi companies was to lease entire airplanes, not individual seats. Consequently, individual passengers not belonging to a larger party faced more difficulty and expense in chartering a flight. Mr. Aycock intended, through his service, to allow solo passengers to arrange flights on chartered aircraft for less cost.

Mr. Aycock did not plan on operating the chartered air taxi services himself. Instead, his goal was to develop a system where he would serve his customers by acting as the middleman, or "communication link," between the customer and one of the air taxi service operators he contracted with to provide flights on an individual seat basis. Mr. Aycock planned to advertise his service, which he called the AIRFLITE service, to the public and to have those interested in using the service call a toll-free phone number to schedule reservations. After learning of customers' travel plans, Mr. Aycock would then arrange for the air taxi service to fly his customers with similar travel plans to their destinations. Mr. Aycock believed that in order for his service to become operational, he needed at least 300 air taxi operators in the United States to agree to participate in his air-taxi-operator network

In the years after conceiving of the idea for his service, Mr. Aycock worked toward offering the service to the public. In the mid-1960s, he formed Aycock Engineering—the corporate entity under which his service would operate. He also sought and obtained two toll-free telephone numbers that the public could use to make reservations. In March of 1970, Mr. Aycock invited virtually all air taxi operators certified by the Federal Aviation Administration ("FAA") to join his operation by, inter alia, distributing flyers with in-depth information about his AIRFLITE service. He

¹ Honorable Liam O'Grady, District Judge, United States District Court for the Eastern District of Virginia, sitting by designation.

eventually entered into contracts with some of those air taxi service operators. Under these contracts, air taxi operators agreed to participate in the AIRFLITE service and even paid modest initiation fees to Mr. Aycock. Furthermore, Mr. Aycock filed a service mark application on August 10, 1970 for the term AIRFLITE, which was a term he had included in his advertisements.

Despite his efforts, Mr. Aycock's operation never got off the ground. While he estimated that he needed at least 300 air service operators under contract to make his service operational, Mr. Aycock never had more than twelve (4% of his minimum goal) under contract at any time throughout his company's history. And while Mr. Aycock advertised to air taxi operators, he never marketed the AIRFLITE service to the general public. More specifically, the record does not suggest that Mr. Aycock ever gave the public an opportunity to use the toll-free phone numbers to book reservations, or that he ever spoke with a member of the general public about making a reservation. Finally, and most notably, Mr. Aycock never arranged for a single passenger to fly on a chartered flight.

Mr. Aycock's AIRFLITE mark, which he applied for on August 10, 1970, was registered by the USPTO on April 30, 1974 on the Supplemental Register after a prosecution that involved considerable negotiation between Mr. Aycock and the trademark examining attorney. During the prosecution process, Mr. Aycock made several representations about his service. Mr. Aycock stated that "[t]his service is a communication service between persons desiring to charter aircraft and certified air taxi operators." Mr. Aycock also represented that his "primary service is putting individuals desiring air transportation in contact with people rendering this service," and that he "does not himself transport but only places the parties in contact with each other." The recitation of services for the AIRFLITE service mark eventually agreed upon by the USPTO and Mr. Aycock was "[a]rranging for individual reservations for flights on airplanes." Mr. Aycock's application to renew his AIRFLITE service mark was granted by the USPTO on April 27, 1994.

In 2001, Airflite, Inc., the Petitioner-Appellee, filed a petition for cancellation alleging, inter alia, that Aycock Engineering did not use its AIRFLITE mark prior to registration in connection with the services identified in its registration. In that proceeding, the TTAB agreed with Airflite, Inc. and cancelled the AIRFLITE registration, finding that Mr. Aycock failed to render the service described in its registration in commerce. *Airflite, Inc. v. Aycock Eng'g, Inc.*, Cancellation 92032520, 2007 WL 2972237, at *7 (TTAB Oct. 4, 2007) ("*TTAB Decision*").

II. DISCUSSION

B. Standard of Review

We review the TTAB's legal conclusions de novo. The TTAB's factual findings are reviewed for substantial evidence. "Substantial evidence is 'more than a mere scintilla' and 'such relevant evidence as a reasonable mind would accept as adequate' to support a conclusion."

C. Interpretation of the Recitation of Services in Mr. Aycock's Service Mark Application

A prerequisite to deciding the use requirement issue, discussed *infra*, involves defining the recitation of services in the application. Mr. Aycock's registration describes the services rendered under the mark as "arranging for individual reservations for flights on airplanes." The TTAB concluded that the scope of this description was "limited to regulating, coordinating, operating, or administering a system to book flights on airplanes," which required more than arranging the network of air taxi operators. Mr. Aycock argues that the TTAB's construction of the services in the registration was erroneous, and that the record, including the prosecution history, supports a construction that permits the mere arranging of a network of air taxi operators by itself to constitute the service. Airflite counters that the TTAB correctly construed the services at issue.

We agree with the TTAB that the service described in Mr. Aycock's registration is arranging for the transportation of a person from one place to another or providing a communication service between a person desiring custom air travel and an air taxi operator, and that this entails more than the arranging of the network of air taxi operators. During prosecution, Mr. Aycock repeatedly emphasized that his service was the arrangement for transportation between a person and an air taxi service on a per seat basis.

These representations to the examiner make clear that "arranging for individual reservations for flights on airplanes" means just that, and includes more than Mr. Aycock's preparatory efforts to arrange a network of air taxi operators. Notably, Mr. Aycock's contracts with the air taxi operators reinforce that the nature of his service was the arranging of flights for persons desiring air taxi service, not merely the creation of a network to do so. Thus, we affirm the TTAB's determination that the scope of the services defined in the registration requires the arranging of flights between an air taxi operator and a passenger.

D. Use Requirement

Under § 45 of the Lanham Act, a service mark is any "word, name, symbol or device, or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce . . . to identify and distinguish the services of one person . . . from the services of others." 15 U.S.C. § 1127 (2006). The definition of "service mark" is virtually identical to the definition of "trademark." But while service marks apply to intangible services, trademarks are used to distinguish tangible goods. *See Id.*; *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1156 (9th Cir. 2001); *Lloyd's Food Prods., Inc. v. Eli's, Inc.*, 987 F.2d 766, 768 (Fed. Cir. 1993).

"It is clear from the wording of the Lanham Act that applications for service mark registrations are subject to the same statutory criteria as are trademarks." 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:82 (4th ed. 2008) [hereinafter McCarthy]; see 15 U.S.C. § 1053 (2006). One such statutory criterion that applies to both trademarks and service marks is the "use in commerce" requirement. For trademarks, the "use in commerce" requirement is met when a mark is (1) placed on the good or container, or on documents associated with the goods if the nature of the goods makes placement on the good or container impracticable, and (2) that good is then "sold

or transported in commerce." 15 U.S.C. § 1127 (2006). For service marks, the "use in commerce" requirement is met when (1) a mark is "used or displayed in the sale or advertising of services" and (2) either (i) the services are "rendered in commerce" or (ii) the services are "rendered in more than one State or in the United States and a foreign country and the person rendering those services is engaged in commerce in connection with the services." *Id.* The registration of a mark that does not meet the use requirement is void ab initio. See *Gay Toys, Inc. v. McDonald's Corp.*, 585 F.2d 1067, 1068 (CCPA 1978); 3 McCarthy § 19:112.

Despite the seeming harmony and simplicity in the application of the use requirement to trademarks and service marks, opportunity exists for confusion in this area of the law. Different statutory requirements apply to applications filed before November 16, 1989, as compared to those filed after. This is because in 1988, Congress passed the Trademark Law Revision Act ("TLRA"). The TLRA altered the burden that applicants must meet before satisfying the use element by requiring an applicant to make a "bona fide use of [the] mark in the ordinary course of trade." Trademark Law Revision Act of 1988, Pub.L. No. 100-667, 102 Stat. 3935 (effective November 16, 1989) (codified at 15 U.S.C. § 1127 (2006)).

This "bona fide use" language was intended to eliminate "token uses," which occurred when applicants used marks in conjunction with selling goods or offering services for the sole purpose of obtaining registration, and with no intention of legitimately using the mark in commerce until a later date. See *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 437 (2d Cir.1974). Before 1989, a "token use" was sufficient to satisfy the use requirement and qualify a mark for registration. *See Id.*

In addition to eliminating token uses, the 1988 TLRA made other changes to the use requirement. Before 1989, an applicant only qualified for registration if he was using his mark in commerce at the time he filed his application at the USPTO. *WarnerVision Entm't Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259, 260 (2d Cir. 1996). But after 1989, an applicant could begin the registration process even when his mark was not in use in commerce at the time of the filing, so long as he had a "bona fide intention to use the mark in commerce" at a later date. 15 U.S.C. § 1051(b) (2006). Applicants filing these "intent to use" applications are only granted registration, however, if they file a verified statement of commercial use proving eventual use of the mark in commerce. *Id.* § 1051(d).

Because the mark at issue here is a service mark, the use requirement relating to service mark applications, as opposed to trademark applications, guides our analysis. Furthermore, the application at issue in this case was filed in 1970. Therefore, this case must be decided according to the service mark use requirement that appeared in the Lanham Act in 1970 (i.e., the pre-1989 version). *See* 3 McCarthy § 19:112. However, for the reasons stated below, our holding in this case also applies to the current (and post-1989) service mark use requirement.

E. Use Requirement for Service Marks

With the exception of the 1988 TLRA statutory language eliminating token uses and permitting intent-to-use applications, the service mark use requirement as it appeared in 1970 is materially identical to the post-1989 version. The use provision of the Lanham

Act in force in 1970 stated that a service mark was in use in commerce "when it is used or displayed in the sale or advertising of services, and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith." Pub.L. No. 87-772, 76 Stat. 769 (1962). Therefore, like the current use requirement, a service mark applicant seeking to meet the pre-1989 version had to (1) use the mark in the sale or advertising of a service and (2) show that the service was either rendered in interstate commerce or rendered in more than one state or in this and a foreign country by a person engaged in commerce.

Courts, as well as the TTAB, have interpreted the pre-1989 statutory language in analogous cases. Without question, advertising or publicizing a service that the applicant intends to perform in the future will not support registration. *In re Cedar Point, Inc.*, 220 USPQ 533, 536 (TTAB 1983) (quoting *Intermed Commc'ns, Inc. v. Chaney*, 197 USPQ 501, 507-08 (TTAB 1977)); *Greyhound Corp. v. Armour Life Ins. Co.*, 214 USPQ 473, 474 (TTAB 1982). Instead, the advertising or publicizing must relate to "an existing service which has already been offered to the public." *Greyhound*, 214 USPQ at 474. Furthermore, "[m]ere adoption (selection) of a mark accompanied by preparations to begin its use are insufficient . . . for claiming ownership of and applying to register the mark." *Intermed*, 197 USPQ at 507; see *Blue Bell*, 497 F.2d at 437. "At the very least," in order for an applicant to meet the use requirement, "there must be an open and notorious public offering of the services to those for whom the services are intended." *Intermed*, 197 USPQ at 507.

In *Intermed*, the TTAB rejected a service mark application for failing to meet the use in commerce requirement even where the applicant had performed many pre-application service-oriented activities involving the public. *Id.* at 508-09. The applicant in that case sought to register a mark intended to identify an international medical services operation. *Id.* at 502. The applicant's plan was to build the international service from an already operating United States-based medical service. *Id.* at 503. The applicant intended to, and did use the United States-based operation as a fundraising affiliate of the new international operation. *Id.* at 504. Additionally, the applicant communicated with and solicited the support of the Iranian government regarding the service before the application was filed. *Id.* The applicant also issued a detailed announcement using the service mark term before the filing date designed to inform and update individuals about the service's status. *Id.* Finally, and also before the date of application, the applicant hired a fundraising firm to raise money for the service. *Id.* at 508.

Despite these activities, the TTAB held that the applicant failed to meet the use requirement because the services described in the application were not "offered, promoted, advertised or rendered. . . in commerce." *Intermed*, 197 USPQ at 504. The TTAB stated that "[t]he statute requires not only the display of the mark in the sale or advertising of services but also the rendition of those services in order to constitute use of the service mark in commerce." *Id.* At 507-08. The TTAB further explained that adopting a mark accompanied by mere "preparations to begin its use" is insufficient for service mark registration, and that in order for the use requirement to be met, there must be "an open and notorious public offering of the services to those for whom the services are intended." *Id.* at 507.

In 1983, the TTAB again rejected a service mark application because it failed to meet the use requirement. *Cedar Point*, 220 USPQ at 533. In *Cedar Point*, the Cedar Point amusement park, which had been in business for decades, was preparing to open a new water park addition in mid-May of 1980. *Id.* at 535. One preparatory step taken by Cedar Point before opening day was the filing of a service mark application to register the mark "OCEANA" for its new water park service. *Id.* Cedar Point also distributed nearly 700,000 water park advertisement brochures containing the OCEANA mark during the months preceding the grand opening. *Id.*

The TTAB emphasized the fact that Cedar Point filed its service mark application with the USPTO before it opened the water park's doors and offered those services to the public. *Id.* at 535-36. The TTAB then explained that the use of a mark in connection with the advertising of services intended to be "available at some time in the future, but not yet available at the time of filing" does not qualify the mark for registration. *Id.* at 535. Therefore, Cedar Point's water park advertising campaign, which was ongoing at the time the application was filed, was insufficient on its own to support registration. *Id.* As a result, the TTAB held that the "applicant's mark 'OCEANA' was not in 'use in commerce'. . . at the time of the filing of [the] application" and that the application was thus void ab initio. *Id.* at 537.

Interestingly, Cedar Point filed for its service mark roughly one month before the scheduled opening of the new water park. *Id.* at 535. With the application date being so close to the opening date, it is indisputable that Cedar Point had taken numerous steps toward constructing the water park by the time the application was filed. Nevertheless, the TTAB found none of these preparatory steps sufficient to satisfy the use in commerce requirement.

The TTAB also addressed the use in commerce issue in the 1982 *Greyhound* case. *Greyhound*, 214 USPQ at 473. In that case, the applicant, a life insurance company, filed a service mark application in November of 1979. *Id.* at 474. Before the filing date, the applicant advertised its services by disseminating informational letters and posters using the service mark. *Id.* Despite this activity, the TTAB held that the service described in the application was not rendered in commerce and thus declared the application void ab initio. *Id.* at 475. The TTAB explained that "it is well settled that advertising of a service, without performance of a service, will not support registration. . . . The use in advertising which creates a right in a service mark must be advertising which relates to an existing service which has already been offered to the public." *Id.* at 474.

We find the reasoning of these cases persuasive. The language of the statute, by requiring that the mark be "used or displayed in the sale or advertising of services, and the services are rendered in commerce," makes plain that advertisement and actual use of the mark in commerce are required; mere preparations to use that mark sometime in the future will not do. Thus, we hold that an applicant's preparations to use a mark in commerce are insufficient to constitute use in commerce. Rather, the mark must be actually used in conjunction with the services described in the application for the mark.

F. Analysis

As explained above, Mr. Aycock's AIRFLITE service mark application can only meet the use requirement if (1) his AIRFLITE mark was "used or displayed in the sale or

advertising of services," and (2) his AIRFLITE service was either "rendered in commerce" or rendered in more than one state or in this and a foreign country by a person engaged in commerce. 15 U.S.C. § 1127 (2006). Because our determination under the second element is dispositive, we will not address the issue of whether Mr. Aycock's advertising was sufficient to meet the first element of the service mark use requirement.

In order to decide whether the second element is met, we must determine whether Mr. Aycock ever gave an intended customer the opportunity to use his AIRFLITE service. In other words, we must determine if Mr. Aycock made an open and notorious rendering, or offering, of his service to the public. *See Intermed*, 197 USPQ at 507. Upon review, we conclude that the TTAB's determination that Mr. Aycock failed to offer his service to the public is supported by substantial evidence, because he never gave anyone an opportunity to use his AIRFLITE service to make a charter flight reservation. Instead, Mr. Aycock merely took sporadic steps in preparing to offer his service to the public.

Specifically, Mr. Aycock formed Aycock Engineering, which was the corporate entity under which he intended to operate his AIRFLITE service. He also obtained two toll-free telephone numbers that he planned to provide for potential customers seeking to make flight reservations. The most notable step Mr. Aycock took toward offering his AIRFLITE service to the public came when he contracted with the air taxi operators. Under these contracts, air taxi operators agreed to participate in the AIRFLITE air taxi network by being available to provide flights for customers using the AIRFLITE service. These operators even paid modest initiation fees to Aycock in order to participate in the service.

But these activities, even taken together, do not constitute a service that falls within the scope of our definition of the recitation of services. As mentioned earlier, it is our view that the service described in Mr. Aycock's service mark application covers only the arranging of flights between an air taxi operator and a passenger, and not preparatory efforts to arrange a network of air taxi operators. The activities described above, however, were merely preparatory steps that Mr. Aycock took toward his goal of one day, as he described, operating a "communication service between persons desiring to charter aircraft" that "put[] individuals desiring air transportation in contact with people rendering that service." J.A. 736, 749.

In order for Mr. Aycock to satisfy the use requirement, more was required. Mr. Aycock had to develop his company to the point where he made an open and notorious public offering of his AIRFLITE service to intended customers. *See Intermed*, 197 USPQ at 507. However, at no point in time did Mr. Aycock give a potential customer the chance to use his AIRFLITE service. He never arranged for a single flight between a customer and an air taxi operator. This is because Mr. Aycock, as stated in his deposition, believed he needed at least 300 air taxi operators under contract before his service could become operational. Reasonably, because he never had more than twelve air taxi operators under contract at any one time, Mr. Aycock chose not to open his doors to the public.

Furthermore, while the two toll-free telephone numbers he obtained could have been used at some point in time as a means of offering the service to the public, they were never actually used for this purpose. Nothing in the record suggests that Mr. Aycock ever gave potential customers an opportunity to use the phone lines to make flight

reservations, or that a single customer seeking to book a flight actually called the toll-free number. The record also fails to indicate that Mr. Aycock, or anyone else associated with Aycock Engineering ever spoke with a member of the general public about making a flight reservation through the AIRFLITE service.

That Mr. Aycock advertised to, contracted with, and was paid by air taxi operators does not transform the service from its preparatory stages to being rendered in commerce. Instead, these actions were Mr. Aycock's attempts to build the service's infrastructure, which, when completed, could then be offered to the public (and thus "rendered in commerce").

Notably, Mr. Aycock set the goal of obtaining 300 air taxi operators by himself. He had the option of attempting to run his AIRFLITE service with the air taxi operators he had under contract when he applied for his service mark in 1970. Even though this approach likely would have led to a much smaller and less profitable operation than he originally intended, he could have met the use requirement had he taken this route. Even more, because Mr. Aycock filed his service mark application before 1989, he had the "token use" option at his disposal. But he does not argue, and the facts do not show, that he ever attempted to make a token use of his AIRFLITE service.

In sum, the activities that Mr. Aycock performed throughout the process of building his AIRFLITE service at no point in time amounted to a rendering in commerce of the service described in his application. In addition, the service was never rendered in more than one state or in this and a foreign country by a person engaged in commerce. Therefore, we hold that Mr. Aycock's AIRFLITE service mark application did not meet the use requirement when he filed it in 1970 and is thus void ab initio. Further, Mr. Aycock failed to meet the use requirement during any of his additional dealings with the USPTO that took place after 1970, including his 1994 renewal application.

III. CONCLUSION

For these reasons, Aycock Engineering's AIRFLITE service mark application failed to meet the use requirement. Accordingly, the final decision of the TTAB cancelling the registration of the AIRFLITE mark is *affirmed*.

AFFIRMED