

28 Sep  
2021

## Why your TTAB judgment may fall flat in court

Parties must be aware of the vital differences between TTAB administrative proceedings and federal court civil litigation highlighted by a recent Third Circuit decision. Leason Ellis' [Martin Schwimmer](#) and Wolf Greenfield & Sacks' [John Welch](#) unpack the case in more detail in this guest piece.

### Guest analysis

The US Court of Appeals for the Third Circuit has revived a long-running dispute over the band name THE EBONYS, a rhythm-and-blues group founded in 1969 by David Beasley. The appellate court's decision underscores the important jurisdictional differences between administrative proceedings before the TTAB and civil litigation before federal district courts, and clarifies the limited effect that a prior TTAB opposition or cancellation proceeding may have on a subsequent civil infringement suit between the same parties. Importantly, the court also explained that the oft-misunderstood doctrine of 'incontestability' does not immunise a trademark owner from the claims of a prior user of the mark (*Beasley v Howard*, 2021 USPQ 2d 960 (3d Cir 2021) [precedential]).

The Ebonys were pioneers in a musical genre called 'the Philadelphia Sound', which includes well-known acts such as the O'Jays and Harold Melvin and the Blue Notes. William Howard joined the Ebonys for a brief period in the mid-1990s. In 2012 Howard obtained a federal registration for the band name, without Beasley's authorisation.

In 2013 Beasley filed a *pro se* petition with the TTAB for cancellation of the registration on the ground of fraud. However, he failed to prove his case and the TTAB dismissed the petition (fraud on the USPTO refers specifically to the act of knowingly making a false statement to the USPTO with an intention to deceive in order to obtain a registration).

In 2017 Beasley filed another petition for cancellation that included the fraud claim and added a claim of likelihood of confusion, but Beasley's second petition was summarily dismissed in its entirety by the Board on the ground of claim preclusion, without any ruling on the merits of the claims.

Claim preclusion, sometimes called *res judicata*, protects a defendant from the risk of "repetitious suits involving the same cause of action" once "a court of competent jurisdiction has entered a final judgment on the merits". Turning on the identity of the parties and a shared "nucleus" of operative facts, the preclusive effect of the prior judgment extends not only to the claims that were brought, but also to claims that could have been raised and decided in the prior action, even if not actually litigated. Thus, when Beasley brought the first fraud claim, he could and should have brought any other cancellation claim – in this case, likelihood of confusion – that had accrued to him at that time.

Beasley then filed a handwritten complaint for unfair competition under Section 43(a) of the Lanham Act in the US District Court for the District of New Jersey. Howard moved to dismiss on the ground of claim preclusion. The court granted the motion and dismissed Beasley's complaint, reasoning that Beasley's claim turned on "facts and legal theories [that] were actually litigated" in connection with Beasley's 2017 petition for cancellation. Thus, in the district court's view, the unfair competition claim was the "same claim" as the likelihood of confusion claim brought before the TTAB.

Beasley filed an appeal with the US Court of Appeals for the Third Circuit. The appellate court recognised that the jurisdiction of the TTAB is limited to the issue of registrability and does not extend to determining the right to use a mark, nor to granting broader remedies such as monetary and injunctive relief. It ruled that claim preclusion did not apply because Beasley's unfair competition claim was not the same claim as those that he filed with the TTAB. The Third Circuit summarised its ruling as follows:

*Beasley limits this appeal to whether the District Court properly dismissed his section 43(a) infringement claim, so its central issue is whether Beasley's prior losses in cancellation proceedings before the TTAB preclude his section 43(a) claim before the District Court. We hold that they do not. Despite the factual similarities between Beasley's petitions for cancellation and the complaint he filed in the District Court, the jurisdictional limits on the TTAB that accompany its role as the primary venue for narrow questions of trademark registration ensure that proceedings before it do not carry claim preclusive effect against subsequent Article III infringement proceedings under section 43(a).*

The Third Circuit rejected Howard's argument that Beasley could and should have pursued his claims in the district court in the first instance, since a cancellation claim could be included in a civil action. The court pointed out that this "would oblige a plaintiff wishing to avoid claim preclusion not only to assert every available claim, but also to choose the forum with the broadest jurisdiction in which to do so". It stated:

*Granting claim preclusive effect to TTAB proceedings against subsequent infringement suits would penalize trademark holders who promptly oppose or seek to cancel an invalid mark, rather than delay litigation until that party could assert all possible causes of action in the District Court. A rule encouraging such delay would moreover stand in tension with sections 14(1) and 15 of the Lanham Act, 15 U.S.C. §§ 1064(1), 1065, which urge prompt opposition and cancellation petitions by providing that trademark registrations over five years old are generally incontestable and cannot be challenged.*

The Third Circuit court observed that, as Beasley conceded, issue preclusion – a narrower doctrine that precludes re-litigation of a particular issue that has already been decided – applies to any fraud claim that Beasley may assert in the district court because that issue had been fully litigated and decided (see *B&B Hardware v Hargis Industries, Inc*, 135 S Ct 1293, 1310 (2015), holding that issue preclusion prevents a

court from re-hearing issues actually decided by the TTAB). Therefore, the court affirmed the dismissal of “any claim that Howard defrauded the PTO”. In contrast, the issues underlying Beasley’s likelihood of confusion claim had never been actually litigated before the TTAB.

The Third Circuit noted that its decision aligns with two other circuits:

- the Ninth Circuit in *VVV & Sons Edible Oils Ltd v Meenakshi Overseas, LLC* (946 F 3d 542 (9th Cir 2019)); and
- the Second Circuit in *Jim Beam Brands Co v Beamish & Crawford Ltd* (937 F 2d 729, 736 (2d Cir 1991)).

Howard also contended that Beasley’s claim should be dismissed because Howard had filed an appropriate declaration under Section 15 of the Lanham Act that made ‘incontestable’ his right to exclusive use of the EBONYS mark.

The Third Circuit pointed out, however, that Section 15 of the Lanham Act makes clear that incontestability does not apply when the use of an incontestable mark “infringes a valid’ state or common law trademark ‘continuing from a date prior to the date of registration’”. In other words, incontestability is not a defence against a claim brought by a prior common law user like David Beasley. (That said, if a newcomer adopted the name, it could not contest Howard’s exclusive right to use the name.)

Thus, the Third Circuit affirmed in part and reversed in part, remanding the case to the New Jersey district court for further proceedings.

The Third Circuit’s ruling assures trademark owners and litigants that, under the statutory scheme created by the Lanham Act, they are not required to commence a full-blown civil litigation in order to protect their rights. They may choose to invoke the limited jurisdiction of the TTAB to challenge the registrability of another’s mark without giving up their broader claims for infringement and unfair competition should they choose to litigate at a later time. The court also helpfully explains the unfortunately-named doctrine of incontestability, which does not immunise a registrant from all challenges to use of the registered mark, and particularly does not trump the rights of a prior, common law user.

*The authors represented appellant David Beasley before the Third Circuit.*

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## TAGS

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