

INTELLECTUAL PROPERTY

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IN THIS ISSUE

The Third Circuit Court of Appeals recently joined the Second and Ninth Circuits in holding that cancellation proceedings before the U.S. Patent & Trademark Office's Trademark Trial and Appeal Board do not preclude trademark infringement lawsuits in federal district courts.

Third Circuit Court of Appeals Gets in Tune with the Second and Third Circuits on Limited Preclusive Effect of Trademark Trial and Appeal Board Proceedings

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In *Beasley v. Howard*,¹ the Third Circuit Court of Appeals held that cancellation proceedings before the Trademark Trial and Appeal Board (“TTAB”) do not preclude subsequent trademark infringement lawsuits in federal district courts. With this ruling, the Third Circuit joins similar rulings from the Second and Ninth Circuit Courts of Appeal.

David Beasley and William Howard were members of a band called the “The Ebonys.” The Ebonys were one of the bands known for a type of rhythm and blues music called the “Philadelphia Sound.” Beasley had formed the band in 1969. Howard, however, did not join The Ebonys until the mid-1990s. In 1997, Beasley obtained a New Jersey State Service Mark for The Ebonys, and the band continued to perform for several more years.²

Musical acts do not always go on forever—e.g., Simon & Garfunkel, The Beatles, The Beach Boys, etc. In similar fashion, David Beasley and William Howard ultimately went their separate ways. But both of them claimed rights to the band name the Ebonys name. In 2012, Howard registered The Ebonys as a federal trademark with the US Patent and Trademark Office (“PTO”). Beasley contended that Howard’s registration interfered with his business and that he had been unable to register a band website using “The Ebonys” in its domain name. Beasley further alleged that Howard had prevented concert venues from booking Beasley’s performances, had tried to collect royalties from Beasley’s recordings,

and that Howard claimed to be true founder of the Ebonys.³

In 2013 Beasley filed a petition with the TTAB to cancel Howard’s mark, alleging that Howard had defrauded the PTO in obtaining the mark. The TTAB dismissed Beasley’s petition.⁴

Beasley filed a second petition with the TTAB in 2017, again asserting that Howard had defrauded the PTO. Beasley also requested, for the first time, that the PTO cancel Howard’s mark because it could be confused with Beasley’s The Ebonys mark. The TTAB again dismissed Beasley’s petition, this time based on “claim preclusion,” finding that the 2017 fraud claim rested on the same facts as the 2013 claim. The TTAB further dismissed Beasley’s likelihood-of-confusion claim because he had failed to raise it in his 2013 petition. Beasley did not appeal either dismissal by the TTAB.⁵

In April 2019, Beasley filed a lawsuit in federal district court requesting that the court vacate Howard’s mark, award Beasley monetary damages for losses he had allegedly sustained from being unable to market his band, and allowing Beasley to register his own The Ebonys mark with the PTO. The federal district court granted Howard’s motion to dismiss finding that “claim preclusion” barred Beasley because his claims arose from the “facts and legal theories” litigated before the TTAB. The court further concluded that claim preclusion

¹ 14 F.4th 226 (3d Cir. 2021).

² *Id.* at 229-30.

³ *Id.* at 230.

⁴ *Id.*

⁵ *Id.*

applied even though Beasley was seeking a damages remedy he had not pursued in the TTAB.⁶

On appeal, the Third Circuit found “the central issue” to be whether Beasley’s prior losses and cancellation proceedings before the TTAB precluded his infringement claim before the District Court. The Third Circuit held they did *not*, stating:

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 preclusive⁷ effect under subsequent Article III infringement proceedings under section 43(a).⁸

The *Beasley* court noted that the TTAB is not a general-purpose tribunal for trademark disputes, but that it has limited jurisdiction to determine only the right to register a trademark.⁹ Thus, it cannot decide broader questions of infringement or unfair

competition.¹⁰ The *Beasley* court further noted that the TTAB is not authorized to determine the right to use and has no authority to determine damages or injunctive relief.¹¹ The Third Circuit summarized:

The TTAB therefore properly considers only narrow questions and grants only narrow remedies: it hears challenges litigants pose as to whether a trademark meets the Lanham Act’s criteria for registration, and cannot dispense relief beyond whether or how the PTO registers a mark.¹²

The *Beasley* court found that the TTAB could not have granted the damages Beasley sought:

Because the TTAB has no jurisdiction to consider whether an infringer’s use of a mark damages a petitioner seeking cancellation, and in turn cannot award any remedy beyond cancellation for the injuries a petitioner has suffered, a section 43(a) claim is not one that could

⁶ *Id.* at 230-31.

⁷ The *Beasley* court noted that “claim preclusion” is sometimes referred to as “res judicata,” and that these terms are often used interchangeably. Under either name, the doctrine protects defendants 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. The doctrine prevents parties from raising issues that could have been raised and decided in a prior action, even if not actually litigated. *Id.* at 231-32 (construing *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp., Inc.*,

140 S. Ct. at 1589, 1594 (2020), and *United States v. Tohono O’Odham Nation*, 563 US 307, 315 (2011)).

⁸ *Beasley*, 14 F.4th at 231.

⁹ *Id.* at 232-33.

¹⁰ *Id.* (citing *FirstHealth of Carolinas, Inc. v. CareFirst of Md., Inc.*, 479 F.3d 825, 828 (Fed. Cir. 2007)).

¹¹ *Id.* at 233 (citing *Gen. Mills, Inc. v. Fage Dairy Processing Indus. S.A.*, 100 U.S.P.Q. 2d 1854, at *3 (T.T.A.B. 2011), *relief set aside to effect settlement sub nom. Gen. Mills, Inc. v. Fage Lux. S.A.R.L.*, 110 U.S.P.Q. 2d 1679 (T.T.A.B. 2014).

¹² *Id.*

have been brought in a TTAB cancellation proceeding.¹³

Finally, the *Beasley* court expressly noted that with this holding it was joining the Courts of Appeals for the Second and Ninth Circuits in recognizing the limited preclusive effect of TTAB proceedings.¹⁴ It concluded:

Our holding here reaches the same conclusion and helps to maintain nationwide uniformity in how federal Article III Courts treat TTAB judgments. Because the TTAB's jurisdictional limits do not allow it to consider the full range of facts or grant the full range of remedies relevant to violations of section 43(a), cancellation proceedings before it do not have claim preclusive effect against section 43(a) lawsuits in Federal District Court.¹⁵

The *Beasley* decision, which places yet another Circuit Court of Appeals in line with a growing consensus, adds welcome clarity for intellectual property owners and attorneys who may find themselves litigating before the TTAB and in the federal district courts.

¹³ *Id.* at 234 (emphasis in original) (citing *FirstHealth of Carolinas, Inc.*, 479 F.3d at 828; *Bd. of Trustees v. Pitts*, 107 U.S.P.Q.2d (BNA) 2001, at *20 (T.T.A.B. 2013)).

¹⁴ *Id.* (citing *V.V.V. & Sons Edible Oils Ltd. v. Meenakshi Overseas, LLC*, 946 F.3d 542 (9th Cir. 2019); *Jim Beam*

Brands Co. v. Beamish & Crawford Ltd., 937 F.2d 729 (2d Cir. 1991)).

¹⁵ *Id.*

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