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The Third Circuit Limits Preclusive Effect of the TTAB Rulings

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On September 17, 2021, the Third Circuit held in *Beasley v. Howard* that trademark cancellation proceedings before the Trademark Trial and Appeal Board (TTAB) do not have claim preclusive effect against trademark infringement lawsuits in federal district courts because of the TTAB's limited jurisdiction.

The case involves two musicians, David Beasley and William Howard, who have been involved in a long-running dispute over the rights to the band name "Ebonys." The Ebonys were founded by Beasley in 1969 and achieved some commercial success in the 1970s. Howard joined the band in the mid-1990s and performed with it for several years.

In 1997, Beasley obtained a New Jersey state service mark for THE EBONYS. In 2012, Howard registered THE EBONYS as a federal trademark with the U.S. Patent & Trademark Office (PTO) (THE EBONYS, Registration No. 4,170,469 [the "'469 mark"]). In 2013, Beasley filed a petition with the TTAB to cancel the '469 mark, contending that Howard had defrauded the PTO. The petition was denied.

In 2017, Beasley filed a second petition with the TTAB, which again asserted that Howard had committed fraud on the PTO, and also requested that the PTO cancel the '469 mark because it could be

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confused with Beasley's THE EBONYS mark. The TTAB dismissed the 2017 petition on the ground of claim preclusion, reasoning that both claims rested on the same facts as the 2013 claim.

In 2019, Beasley filed a lawsuit in federal court to cancel the '469 mark and for damages. The district judge viewed this *pro se* complaint as filed under section 43(a) of the Lanham Act and found that the case was precluded by the TTAB's earlier ruling and dismissed the case. Beasley appealed.

The central issue on the appeal was whether Beasley's prior losses in cancellation proceedings before the TTAB preclude his section 43(a) claim before the District Court. The Third Circuit held they do not. The Court explained that the following elements need to be met to invoke claim preclusion:

- a final judgment on the merits in a prior suit that
- involves the same parties or their privies and that
- includes a subsequent suit based on the same cause of action

The Court further explained that claim preclusion has limits and generally does not apply where the plaintiff was unable to rely on a certain theory of the case or to seek a certain remedy because of limitations on the subject matter jurisdiction of the courts. The Court reasoned that while Beasley previously filed petitions before the TTAB to cancel the '469 mark and the TTAB rendered a final judgment on the merits against Beasley, now, Beasley also seeks damages against Howard for trademark infringement under section 43(a) of the Lanham Act.

The Court noted that, importantly, the TTAB has limited jurisdiction to determine only the right to register a trademark and cannot decide broader questions of infringement as those raised in Beasley's section 43(a) claim. As a result, the Court held that 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 subsequent Article III infringement proceedings under section 43(a).

In reaching this result, the Court rejected Howard's argument to force plaintiffs to choose between expeditiously petitioning the TTAB and vindicating eventual infringement claims in federal court. The Court explained that proceedings before the TTAB provide an expedited vehicle to protect both the petitioner and the public from an invalid trademark. If pursuing such relief meant that a petitioner forsook any future infringement claims against the opposing party, that loss of rights would negate and short-circuit the power of the TTAB. Further, the Court noted that granting claim preclusive effect to such 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.

Lastly, the Court also clarified that the doctrine of issue preclusion will bar any claims in Beasley's complaint seeking to cancel Howard's trademark on the ground of fraud, as those issues have been decided by the TTAB.

Consequently, the Court affirmed in part the District Court's order to the extent it dismisses any claim that Howard defrauded the PTO and, otherwise, reversed and remand the order of the District Court.

With this decision, the Third Circuit joined the Second and Ninth Circuits,[1] which held that the preclusive effects of the TTAB's decisions are limited to only those issues actually decided on the merits in the TTAB and for which the TTAB has jurisdiction to decide.

The decision attempts to reassure litigants that they can bring their claims before the TTAB without the fear of forsaking any future trademark infringement actions in the federal courts, particularly those that seek monetary and injunctive relief, which is not available in the TTAB. Until the Supreme Court defines the jurisprudential limits of *B&B Hardware, Inc. v. Hargis Indus., Inc.,* 575 U.S. 138 (2015) — see our prior blog here — such attempts may be of limited comfort.

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[1] *See 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, 736 (2d Cir. 1991).
