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# Abolishing the Missing-Claim Rule for Judicial Cancellations

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# Abolishing the Missing-Claim Rule for Judicial Cancellations

Ryan Vacca \*

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## I. Introduction

Section 37 of the Lanham Act vests courts with the power to order the Director of the U.S. Patent and Trademark Office (PTO) to cancel trademark registrations.<sup>1</sup> This power to “rectify the register”<sup>2</sup> is discretionary, and since the act’s enactment in 1946, courts have routinely granted cancellation requests when the trademark’s invalidity was established in the trial court proceedings. However, that is not always the outcome. Some courts refuse to exercise their power to rectify the register under section 37 even with a proven and valid basis for cancellation.

This article examines cases where the district courts refused to cancel invalid trademarks even though a basis for cancellation had been established. In some cases, the appellate courts have reversed, holding that this was an abuse of discretion. In others, the Courts of Appeals have affirmed the refusal to cancel. Why the difference? The distinguishing fact appears to be that in cases where cancellation was ultimately ordered, the party seeking cancellation affirmatively sought cancellation via a cause of action—typically a counterclaim in an infringement suit. In cases where cancellation was ultimately rejected, the common theme seems to be that the party did not request cancellation as a claim, but instead requested cancellation as a remedy in a motion.

This article takes a close look at the claim requirement and argues that not only should a party not have to file a claim, but also courts should exercise their section 37 cancellation powers *sua sponte* when a mark’s invalidity has already been proved. Additionally, on appeal, a failure to cancel under section 37 when invalidity has been established should be characterized as a *per se* abuse of discretion. These sensible proposals benefit the public by driving down producers’ costs and consumer prices and freeing up already overburdened administrative resources, while only placing a negligible burden on the courts, and they do not pose the same problems that typically cause objections to *sua sponte* action. Moreover, a *sua sponte* cancellation requirement will not require judges to engage in complex statutory interpretation. These proposals can easily be read consistently with section 37’s existing language.

In Part II, I briefly introduce the trademark registration system and point out the benefits of registration to both trademark owners and the public. In Part III, I discuss the cancellation system for registered trademarks, including the two cancellation methods (before the Trademark Trial and Appeal Board (TTAB) and the

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<sup>1</sup> Trademark (Lanham) Act of 1946 § 37, 15 U.S.C. § 1119 (2006).

<sup>2</sup> *Id.*

courts), the grounds for cancellation, and the procedures for seeking cancellation before the TTAB.

In Part IV, I review the case law where cancellation under section 37 was initially refused and explore why some refusals were affirmed while others were reversed—ultimately concluding that a failure to file a claim is the distinguishing factor. I further illustrate in this part why refusing to cancel the registration puts an additional burden on the litigant seeking cancellation, why the litigant may reasonably shirk this burden, and how this ultimately harms the public.

Finally, in Part V, I explain the proposals discussed above, detailing how these proposals are more efficient, how they advance trademark law's purpose, and how courts can easily implement them. Ultimately, I urge district courts to adopt a standard practice of ordering cancellation when the registered mark has been found invalid, and for the Courts of Appeals or Supreme Court to adopt a *per se* abuse of discretion standard for such a circumstance. Alternatively, Congress should amend section 37 to reflect these proposals.

## II. Trademark Registration

Before delving into how trademarks are canceled, it makes sense to first discuss what is being canceled: the trademark's federal registration with the PTO. Complicating matters, though, is the United States' dual system of trademark law.<sup>3</sup> Trademark owners can obtain trademark rights under state and federal law.<sup>4</sup> Our focus is largely on the federal system.

The federal system is governed by the Lanham Act and permits trademark owners to try to register their marks on the Principal Register.<sup>5</sup> The Principal Register is a public record of registered marks that aims to serve as a complete and centralized list of marks.<sup>6</sup> By maintaining the Principal Register, the public is able to

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<sup>3</sup> ROGER E. SCHECHTER & JOHN R. THOMAS, *INTELLECTUAL PROPERTY: THE LAW OF COPYRIGHTS, PATENTS AND TRADEMARKS* 550 (2003).

<sup>4</sup> *Id.*

<sup>5</sup> *See* Trademark (Lanham) Act of 1946 §§ 1–45, 15 U.S.C. §§ 1051–129 (2006).

<sup>6</sup> 3 J. THOMAS MCCARTHY, *MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION* § 19:2 (4th ed. 2009). Because federal registration is optional, the Principal Register falls short of its goal of being a complete list of trademarks. *See id.* at § 19.6 (discussing the need to search beyond the Principal Register to “avoid liability for infringement”). As a result, some common-law marks may exist but are not listed on the Principal Register. *See id.*

easily search and determine what marks are available for registration.<sup>7</sup> Registering marks on the Principal Register not only benefits the public, but also provides trademark owners with additional benefits.<sup>8</sup> However, because the U.S. has a dual system of trademark protection, registering a mark on the Principal Register is not required.<sup>9</sup>

To help create a complete and centralized list of marks, the Lanham Act encourages trademark owners to federally register their marks by conferring several advantages and protections not otherwise available to unregistered marks.<sup>10</sup> For example, registration on the Principal Register is prima facie evidence that the mark is valid and owned by the registrant.<sup>11</sup> Furthermore, registration is prima facie evidence of the registrant's exclusive right to use the mark in connection with the goods or services described in the certificate of registration.<sup>12</sup> Another valuable protection afforded by registration is that a mark registered on the Principal Register may become incontestable after five years of continuous use.<sup>13</sup> A mark's status as incontestable constitutes conclusive evidence of the validity, ownership, and right to use the registered mark in commerce in connection with the goods or ser-

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<sup>7</sup> *Id.* § 19:2 (quoting *Bongrain Int'l (Am.) Corp. v. Delice de France, Inc.* 811 F.2d 1479, 1485 (Fed. Cir. 1987)). Prior to the establishment of the Principal Register, the private sector maintained a similar list called the "Thomson Register." Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 598 (2008). Companies claimed trademark rights and made those rights known to the world by having their marks appear on the Thomson Register. *Id.* Although the Thomson Register was a popular form of deterrence, the problem was, of course, that registration had no legal effect. *Id.*

<sup>8</sup> 3 MCCARTHY, *supra* note 6, § 19:9.

<sup>9</sup> 3 MCCARTHY, *supra* note 6, § 19:3.

<sup>10</sup> *In re Int'l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1366–67 (Fed. Cir. 1999). For a discussion of the benefits of federal registration, see Todd Anten, Note, *Self-Disparaging Trademarks and Social Change: Factoring the Reappropriation of Slurs into Section 2(A) of the Lanham Act*, 106 COLUM. L. REV. 388, 396–98 (2006).

<sup>11</sup> Trademark (Lanham) Act of 1946 §§ 7, 33, 15 U.S.C. §§ 1057(b), 1115(a) (2006).

<sup>12</sup> *Id.*

<sup>13</sup> 15 U.S.C. § 1065. For additional information on incontestability, see F.T. Alexandra Mahaney, Comment, *Incontestability: The Park 'N Fly Decision*, 33 UCLA L. REV. 1149, 1163–69 (1986).

vices described in the certificate of registration.<sup>14</sup> Other registration benefits include:

- providing constructive notice of a claim of mark ownership,<sup>15</sup> which gives priority over junior users even in locations where the registrant has not used the mark;<sup>16</sup>
- providing a constructive use date, resulting in nationwide priority as of the registrant's application filing date;<sup>17</sup>
- improving the ability to block imported goods bearing an infringing mark;<sup>18</sup>
- permitting the registrant to use the ® symbol and other registration notices;<sup>19</sup>
- providing a broader array of remedies;<sup>20</sup> and
- serving as a basis for foreign registrations under the Paris Convention<sup>21</sup> and Madrid Protocol.<sup>22</sup>

These additional protections afforded by the Lanham Act were designed to encourage trademark owners to register their marks with the PTO and not simply rely on their common-law protection.<sup>23</sup>

The public also benefits from registration. As noted *supra*, registration on the Principal Register makes it easier for the public to search and determine what

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<sup>14</sup> *Id.* § 1115(b) (2006). Despite the finality conjured up by the term “incontestable” and the fact that the evidence is “conclusive,” there is a variety of exceptions to incontestability. *See id.* at § 1115(b)(1)–(9).

<sup>15</sup> *Id.* at § 1072.

<sup>16</sup> 5 MCCARTHY, *supra* note 6, § 26:33 (citing *Dawn Donut Co. v. Hart Food Stores, Inc.*, 267 F.2d 358, 365 (2d Cir. 1959)).

<sup>17</sup> Trademark (Lanham) Act of 1946 §7, 15 U.S.C. § 1057(c).

<sup>18</sup> 15 U.S.C. § 1124.

<sup>19</sup> *Id.* § 1111. The other forms of notice include “Registered in U.S. Patent and Trademark Office” and “Reg. U.S. Pat. & Tm. Off.” *Id.*

<sup>20</sup> *Id.* §§ 1116(d), 1117(b), 1117(c).

<sup>21</sup> Paris Convention for the Protection of Industrial Property art. 6 quinquies, Sept. 5, 1970, 21 U.S.T. 1583, 828 U.N.T.S. 305.

<sup>22</sup> World Intellectual Prop. Org. [WIPO], The Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement: Objectives, Main Features, Advantages, at 4, WIPO Publ'n No. 418(E) (2008).

<sup>23</sup> *In re Int'l Flavors & Fragrances, Inc.*, 183 F.3d 1361, 1366–67 (Fed. Cir. 1999).

marks are available.<sup>24</sup> Businesses that promote their products and services may search the Principal Register to determine whether a particular mark is available for use.<sup>25</sup> Doing so allows them to avoid spending substantial amounts of time, energy, and money promoting and using a mark they are not entitled to use.<sup>26</sup> Running a search can help companies avoid liability for trademark infringement and minimize their costs of wrangling with the PTO about whether a particular mark can be registered.<sup>27</sup> These savings benefit not only businesses but also consumers.<sup>28</sup> Because resources are not wasted and search costs are lowered by an extensive registry, business costs are lowered, resulting in lower prices for consumers.<sup>29</sup> These efficiencies reflect trademark law's broader purpose: to increase consumer welfare.<sup>30</sup>

### III. Cancellation

Just as a mark can be registered and confer benefits on the registrant and the public, a mark can also be removed from the Principal Register via a procedure called cancellation.<sup>31</sup> As explained *infra*, several grounds exist for canceling a registration, and the Lanham Act provides two procedural avenues for cancellation. The first is an administrative proceeding before the TTAB.<sup>32</sup> The second is a judicial proceeding.<sup>33</sup>

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<sup>24</sup> See *supra* note 7 and accompanying text.

<sup>25</sup> *In re Int'l Flavors*, 183 F.3d at 1367 (quoting *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1395 (3d Cir. 1985)).

<sup>26</sup> *Id.*

<sup>27</sup> 3 MCCARTHY, *supra* note 6, § 19:6.

<sup>28</sup> *In re Int'l Flavors*, 183 F.3d at 1367.

<sup>29</sup> Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 466–67 (2005).

<sup>30</sup> *Id.* (“Trademark law therefore represents an affirmation of, rather than a departure from, the competitive model that drives the U.S. economy. Like antitrust laws, false advertising laws, and other consumer protection statutes, trademark law both draws from and reinforces the notion that competitive markets, under ordinary circumstances, will ensure efficient resource allocation and bring consumers the highest quality products at the lowest prices.”).

<sup>31</sup> 3 MCCARTHY, *supra* note 6, § 20:40.

<sup>32</sup> See *infra* Part III.B.

<sup>33</sup> See *infra* Part III.C.

### A. Grounds for Cancellation

Before describing the processes for canceling a registration, understanding the grounds for cancellation is necessary. Cancellations are governed by section 14 of the Lanham Act, which breaks cancellation inquiries into two time periods: within five years of registration and any time after registration.<sup>34</sup>

For marks registered for less than five years, the Lanham Act does not enumerate the available grounds for cancellation.<sup>35</sup> However, courts and the TTAB have fleshed out these grounds over time.<sup>36</sup> In general, a registration may be canceled if the mark would be statutorily barred from registration under section 2 of the Lanham Act,<sup>37</sup> or if the mark falls within one of the delineated grounds under which registrations can be canceled at any time.<sup>38</sup>

Section 2 sets forth many statutory bars prohibiting marks from initially being registered, including, *inter alia*, that the mark (1) is immoral, deceptive, scandalous, or disparaging;<sup>39</sup> (2) consists of a national, state, or municipal flag or insignia;<sup>40</sup> (3) consists of the name, portrait, or signature of certain individuals;<sup>41</sup> (4) is likely to cause confusion with existing marks;<sup>42</sup> (5) is merely descriptive,<sup>43</sup> misdescriptive,

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<sup>34</sup> Trademark (Lanham) Act of 1946 § 14, 15 U.S.C. § 1064(1)–(2), (3)–(5).

<sup>35</sup> 4A LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 26:53 (4th ed. 2009).

<sup>36</sup> 3 MCCARTHY, *supra* note 6 § 20:52.

<sup>37</sup> 15 U.S.C. § 1052 (2006).

<sup>38</sup> 3 MCCARTHY, *supra* note 6, § 20:52; *see also* 15 U.S.C. § 1064(3)–(5).

<sup>39</sup> 15 U.S.C. § 1052(a); *see, e.g.*, Daesang Corp. v. Rhee Bros., Inc., No. Civ. AMD 03-551, 2005 WL 1163142, \*11–12 (D. Md. May 13, 2005) (cancellation granted).

<sup>40</sup> 15 U.S.C. § 1052(b).

<sup>41</sup> *Id.* § 1052(c); *see, e.g.*, Chester L. Krause, Cancellation No. 92041171, 76 U.S.P.Q.2d (BNA) 1904 (T.T.A.B. Nov. 18, 2005), 2005 TTAB Lexis 487, at \*17, \*36 (cancellation granted).

<sup>42</sup> 15 U.S.C. § 1052(d); *see, e.g.*, Colonial Williamsburg Found., Cancellation No. 92047662, 2009 WL 391629, at \*3–\*6 (T.T.A.B. Feb. 4, 2009) (cancellation granted).

<sup>43</sup> Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189, 197 (1985) (“Pursuant to § 14, a mark may be canceled on the grounds that it is merely descriptive only if the petition to cancel is filed within five years of the date of registration.”); *see, e.g.*, Osho Friends Int’l, Cancellation No. 92031932, 2009 WL 129558, at \*15–17 (T.T.A.B. Jan. 13, 2009) (cancellation granted).

functional,<sup>44</sup> or primarily merely a surname;<sup>45</sup> or (6) would likely cause dilution by blurring or tarnishment.<sup>46</sup> Notwithstanding that these types of marks are barred from registration, some of these statutory bars can be overcome by showing secondary meaning—that is, that the public associates the mark with the producer or supplier of the goods or services.<sup>47</sup> Unless eligible to be saved and actually saved by secondary meaning, a mark registered for less than five years is subject to cancellation on any of these grounds.

The other statutory basis for cancellation applies to all registered marks, regardless of how long they have been registered.<sup>48</sup> Section 14(3) allows a registration to be canceled at any time if the mark has become generic,<sup>49</sup> functional,<sup>50</sup> or abandoned,<sup>51</sup> was obtained fraudulently<sup>52</sup> or contrary to the provisions of sections 2(a), (b), or (c); or is being used to misrepresent the source of the goods or services.<sup>53</sup> Thus, for marks registered for more than five years, the grounds for can-

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<sup>44</sup> See, e.g., *Fuji Kogyo Co., Ltd. v. Pac. Bay Int'l, Inc.*, 461 F.3d 675, 683 (6th Cir. 2006) (cancellation affirmed).

<sup>45</sup> 15 U.S.C. § 1052(e); see, e.g., *Williamson-Dickie Mfg. Co. v. Davis Mfg. Co.*, 149 F. Supp. 852, 853–54 (E.D. Pa. 1957), *aff'd*, 251 F.2d 924 (3d Cir. 1958) (cancellation granted).

<sup>46</sup> 15 U.S.C. § 1052(f); see, e.g., *Hormel Foods Corp. v. Spam Arrest, LLC*, Cancellation No. 92042134, 2007 WL 4287254, at \*23 (T.T.A.B. Nov. 21, 2007) (cancellation dismissed). The statutory bar for dilution was added in 1999, but amended in 2006 to reflect that the standard was a likelihood of dilution rather than actual dilution. See 15 U.S.C. § 1052 (as amended by 120 Stat. 1732 (2006)).

<sup>47</sup> 15 U.S.C. § 1052(f). In particular, marks that are merely descriptive, primarily geographically descriptive, and primarily merely a surname are eligible for registration upon a showing of secondary meaning. 1 MCCARTHY, *supra* note 6, § 4:12.

<sup>48</sup> *Id.* § 1064.

<sup>49</sup> *Park 'N Fly v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) (“Generic terms are not registrable, and a registered mark may be canceled at any time on the grounds that it has become generic.”); see, e.g., *Osho Friends Int'l*, 2009 WL 129558, at \*15–\*17 (T.T.A.B. Jan. 13, 2009) (cancellation granted).

<sup>50</sup> See, e.g., *Fuji Kogyo Co., Ltd. v. Pac. Bay Int'l, Inc.*, 461 F.3d 675, 683 (6th Cir. 2006) (cancellation affirmed).

<sup>51</sup> See, e.g., *Colonial Williamsburg Found.*, 2009 WL 391629, at \*6–\*7 (T.T.A.B. Feb. 4, 2009) (cancellation granted).

<sup>52</sup> See, e.g., *Sierra Sunrise Vineyards v. Montelvini S.P.A.*, Cancellation No. 92048154, 2008 WL 4371318, at \*2–\*6 (T.T.A.B. Sept. 10, 2008) (cancellation granted).

<sup>53</sup> Trademark (Lanham) Act of 1946 § 14(3), 15 U.S.C. § 1064(3) (2006). Sections 14(4) and (5) can also be asserted at any time, but are limited to specific scenarios involving marks registered

cancellation are limited to those in section 14(3).<sup>54</sup> For marks registered for less than five years, the section 14(3) grounds are available as well as those listed in section 2.<sup>55</sup> A party has two methods for asserting these grounds for cancellation: an administrative cancellation before the TTAB under section 14 or a judicial cancellation under section 37.<sup>56</sup>

It is important to note that just because a registration is canceled does not mean that the mark is invalid or that the trademark owner has no rights.<sup>57</sup> Cancellation and invalidity are distinct but overlapping concepts. Cancellation takes away only the registration benefits, not the underlying trademark rights.<sup>58</sup> Because trademark law is based on both the Lanham Act and the common law, a canceled registration may still leave the trademark owner with a protectable common law mark that can be enforced against others.<sup>59</sup> However, if the mark is determined to be invalid, then there are no trademark rights to assert under the Lanham Act or under the common law.<sup>60</sup> The primary grounds for invalidity, which overlap to a certain extent with the bases for cancellation, include marks that are or have become generic,<sup>61</sup> are merely descriptive without secondary meaning,<sup>62</sup> are functional,<sup>63</sup> or

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under the Trademark Acts of 1881 and 1905 and certification marks, respectively. 15 U.S.C. § 1064(4)–(5).

<sup>54</sup> *Id.* at § 1064(3).

<sup>55</sup> *Id.* at §§ 1064, 1052.

<sup>56</sup> *Id.* at §§ 1064, 1119.

<sup>57</sup> 3 MCCARTHY, *supra* note 6, § 20:40.

<sup>58</sup> 3 MCCARTHY, *supra* note 6, § 20:40.

<sup>59</sup> *See* 3 MCCARTHY, *supra* note 6, § 20:40.

<sup>60</sup> *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 930 (4th Cir. 1995) (“[T]o prevail under §§ 32(1) and 43(a) of the Lanham Act for trademark infringement and unfair competition, respectively, a complainant must demonstrate that it has a valid, protectible trademark.”); *Cnty. State Bank, Nat’l Assoc. v. Cmty. State Bank*, 758 N.W.2d 520, 525 (Iowa 2008) (“[T]o succeed on a common law trademark infringement claim and obtain injunctive relief, the plaintiff must prove (1) it has a valid trademark, and (2) infringement by the defendant.”).

<sup>61</sup> 3 MCCARTHY, *supra* note 6, § 12:1 (“In short, a generic name of a product can never function as a trademark to indicate origin.”).

<sup>62</sup> 3 MCCARTHY, *supra* note 6, § 11:15 (“Today, the law is that marks categorized as ‘descriptive’ cannot be protected unless secondary meaning is proven.”).

<sup>63</sup> *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166 (1995) (“This Court consequently has explained that, ‘[i]n general terms, a product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,’

have been abandoned.<sup>64</sup> If a mark is found to be invalid, then the owner has no trademark rights to assert and the registration should be canceled.<sup>65</sup> This article is concerned with only the subset of marks determined to be invalid, not all registrations vulnerable to cancellation.

#### B. TTAB Cancellations - Section 14

A cancellation proceeding before the TTAB is similar to a civil suit in court. To commence cancellation before the TTAB, the party seeking cancellation must file a petition for cancellation along with the required fee.<sup>66</sup> The petition must set forth a short and plain statement why the party believes it is or will be damaged by the registration and state the grounds for cancellation.<sup>67</sup> After filing the petition, the party must serve the petition on the mark owner or the owner's domestic representative.<sup>68</sup>

Once the petition is in its proper form and the fees are filed, the TTAB formally notifies the parties of the proceeding and sets a period, not less than thirty days, in which an answer must be filed.<sup>69</sup> The notice also specifies the opening and closing dates for discovery and taking testimony.<sup>70</sup> Discovery in cancellation proceedings before the TTAB largely mirrors the procedures and rules used in the Federal Rules of Civil Procedure.<sup>71</sup> Discovery conferences are held;<sup>72</sup> initial disclosures must be made;<sup>73</sup> and the parties to the cancellation may utilize depositions,

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that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage." (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982))).

<sup>64</sup> 3 MCCARTHY, *supra* note 6, § 17:1 ("Once held abandoned, a mark falls into the public domain and is free for all to use.").

<sup>65</sup> See *Gracie v. Gracie*, 217 F.3d 1060, 1065–66 (9th Cir. 2000).

<sup>66</sup> Trademark (Lanham) Act of 1946 § 14, 15 U.S.C. § 1064 (2006); 37 C.F.R. § 2.111(a) (2008). The required cancellation fee is currently \$300 per class. 37 C.F.R. § 2.6(a)(16) (2008).

<sup>67</sup> 37 C.F.R. § 2.112(a) (2008).

<sup>68</sup> *Id.* at § 2.111(a).

<sup>69</sup> *Id.* at § 2.113(a).

<sup>70</sup> *Id.* at § 2.120(a).

<sup>71</sup> *Id.* at § 2.120(a)(1) ("Wherever appropriate, the provisions of the Federal Rules of Civil Procedure relating to disclosure and discovery shall apply in . . . cancellation . . . proceedings except as otherwise provided in this section.").

<sup>72</sup> *Id.* at § 2.120(a)(2).

<sup>73</sup> 37 C.F.R. § 2.120(a)(2)–(3) (2008).

interrogatories, requests for production, and requests for admissions.<sup>74</sup> After discovery closes, the parties submit trial testimony to the TTAB<sup>75</sup> and are allowed time to file briefs to further present their case in light of the relevant law.<sup>76</sup> If time-ly requested, the parties also have the opportunity to present oral arguments in support of their cases.<sup>77</sup> Oral arguments are heard by at least three TTAB members.<sup>78</sup> Following oral arguments, the case is set for final decision and a panel of at least three TTAB members renders the final decision.<sup>79</sup> Requests for reconsideration, rehearing, or modification of a decision can be made, but must be filed within one month from the decision date.<sup>80</sup> Judicial review is also available to an aggrieved party.<sup>81</sup>

### C. Judicial Cancellations - Section 37

The second method for canceling a registration is via a judicial cancellation under section 37 of the Lanham Act. Section 37 provides:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.<sup>82</sup>

Section 37 gives courts the power to order the PTO to cancel a registration.<sup>83</sup> It is typically invoked by a defendant in an infringement action who files a counterclaim against the plaintiff and seeks to have the plaintiff's registration canceled.<sup>84</sup> An ac-

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<sup>74</sup> *Id.* at § 2.120(a).

<sup>75</sup> *See generally id.* at §§ 2.123–2.126 (discussing issues related to trial testimony).

<sup>76</sup> *Id.* at § 2.128.

<sup>77</sup> *Id.* at § 2.129.

<sup>78</sup> *Id.* at § 2.129(a).

<sup>79</sup> U.S. PATENT & TRADEMARK OFFICE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 803 (2004).

<sup>80</sup> 37 C.F.R. § 2.129(c) (2008).

<sup>81</sup> *Id.* at § 2.145.

<sup>82</sup> Trademark (Lanham) Act of 1946 § 37, 15 U.S.C. § 1119 (2006).

<sup>83</sup> *Id.*

<sup>84</sup> *See, e.g., Cent. Mfg. Inc. v. Brett*, 492 F.3d 876, 883 (7th Cir. 2007).

tion that *only* asserts a claim for cancellation will be dismissed.<sup>85</sup> The reason is that courts refuse to hear cancellation claims without some other independent basis for jurisdiction.<sup>86</sup> Therefore, before a party can take advantage of section 37, it must either (1) have an independent basis, such as being sued for infringement or filing a valid declaratory judgment action for a finding of non-infringement, or (2) have exhausted its administrative remedies by bringing a cancellation action before the TTAB.<sup>87</sup> Section 37's purpose is efficiency-based. If a judicial proceeding is already underway and the propriety of the mark's registration is being litigated, combining the analysis into one proceeding will "prevent[] vexatious and harassing litigation as well as sav[e] time, expense, and inconvenience to the parties and to the courts and [PTO] tribunals."<sup>88</sup>

Section 37's effect is to give courts concurrent power with the TTAB to cancel registrations and maintain the Principal Register.<sup>89</sup> Although there is a paucity of language in section 37 defining courts' grounds for ordering cancellation, the courts have held that they are limited to the same substantive grounds for cancellation as the TTAB.<sup>90</sup> That is, courts have no broader power to order cancellations than the TTAB does.<sup>91</sup> Therefore, a party seeking cancellation under section 37 must establish one of the grounds for cancellation under section 14, which can be asserted at any time, or one of the grounds under section 2 if the mark has been registered for less than five years.<sup>92</sup> Moreover, as is required in TTAB cancellations, a

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<sup>85</sup> 5 MCCARTHY, *supra* note 6, § 30:110; *see, e.g.*, *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873–74 (3d Cir. 1992), *Global DNS, LLC v. Kook's Custom Headers, Inc.*, No. C08-0268RL, 2008 WL 4380439, at \*4 (W.D. Wash. Sept. 22, 2008) (citing *Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259 (S.D.N.Y. 1960)).

<sup>86</sup> *See* 4A ALTMAN & POLLACK, *supra* note 35, § 26:53.

<sup>87</sup> 4A ALTMAN & POLLACK, *supra* note 35, § 26:53; *see also Universal Sewing*, 185 F. Supp. at 260 (holding that a suit for cancellation could not independently be maintained in federal court).

<sup>88</sup> *Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp. of Am.*, 257 F.2d 485, 491 (3d Cir. 1958).

<sup>89</sup> *See* 5 MCCARTHY, *supra* note 6, § 30:109.

<sup>90</sup> *See* 5 MCCARTHY, *supra* note 6, § 30:112.

<sup>91</sup> *See Shakespeare Co. v. Silstar Corp. of Am.*, 9 F.3d 1091, 1092 (4th Cir. 1993) (superseded on other grounds by statute) ("We hold that Congress adopted [section 37] to give the district court power concurrent with, but not in excess of, the Patent and Trademark Review Board and that the district court is also limited by the language of the statutes controlling the Board.").

<sup>92</sup> *See supra* Part III.A.

party seeking a judicial cancellation must establish that it is or will be damaged by the mark's continued registration.<sup>93</sup>

#### IV. An Illogical Limitation on Judicial Cancellations

Although section 37 grants the courts power to cancel registrations, courts do not always exercise this power even after declaring a mark invalid. As illustrated below, the reason for refusing to grant such cancellations appears to be that the party seeking cancellation failed to assert its request for cancellation as a claim, and instead requested cancellation via some other procedure.<sup>94</sup> This rationale for courts refusing to exercise their section 37 power does not make much sense. It frustrates the Principal Register's purpose, and may harm businesses and consumers by driving up the costs and prices of goods and services or by impeding new product development.

##### A. Refusals to Cancel

Despite having the power to cancel a registration based on an invalid trademark, some courts refuse to exercise it and are affirmed on appeal, while others refuse to exercise it and are reversed. What accounts for the different results?

In *OBX-Stock, Inc. v. Bicast, Inc.*, the Fourth Circuit affirmed the district court's refusal to cancel the plaintiff's registration for the mark OBX despite the district court's finding that the mark was either generic or geographically descriptive without secondary meaning.<sup>95</sup> The plaintiff began using the letters OBX on oval stickers for automobiles and soon attached these letters to a variety of souvenirs and other sundries.<sup>96</sup> The letters OBX were chosen by the plaintiff to stand for the Outer Banks of North Carolina.<sup>97</sup> The Outer Banks is a geographical region consisting of approximately 200 miles of barrier islands off the North Carolina coast, which is popular among vacationers.<sup>98</sup> The plaintiff eventually registered OBX as a mark in connection with a range of goods and services.<sup>99</sup> The defendant

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<sup>93</sup> Scott v. Mego Int'l, Inc., 519 F. Supp. 1118, 1139 (D. Minn. 1981).

<sup>94</sup> See *infra* Part IV.A.

<sup>95</sup> *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 342–43 (4th Cir. 2009).

<sup>96</sup> *Id.* at 337.

<sup>97</sup> *Id.*

<sup>98</sup> *Id.*

<sup>99</sup> *Id.* The goods and services include stickers, metal license plates, sports clothing, magnets, computer mouse pads, bottle openers, bottled drinking water, and entertainment services in the nature

also began selling stickers but used the text “OB Xtreme.”<sup>100</sup> Believing “OB Xtreme” infringed its OBX mark, the plaintiff filed suit.<sup>101</sup>

The defendant filed a motion for summary judgment attacking the validity of the OBX mark.<sup>102</sup> The district court granted the motion, holding that plaintiff’s OBX mark had become generic or was geographically descriptive without secondary meaning.<sup>103</sup> Notwithstanding its conclusion that the mark was invalid, the district court refused to cancel the OBX registrations.<sup>104</sup>

On appeal to the Fourth Circuit, the plaintiff argued the OBX mark was valid, and the defendant cross-appealed, challenging the district court’s refusal to cancel the registrations.<sup>105</sup> The Fourth Circuit held that the plaintiff’s OBX mark was invalid because it was geographically descriptive without secondary meaning.<sup>106</sup> With respect to the defendant’s cross-appeal, the Fourth Circuit held that the district court did not abuse its discretion in refusing to exercise its power under section 37 and affirmed the district court’s ruling.<sup>107</sup> The Fourth Circuit justified the refusal to cancel by explaining that (1) the defendant’s evidence did not conclusively establish that every one of the plaintiff’s registrations should be canceled; (2) the defendant never filed a claim for cancellation, but instead chose to argue the point in its motion for summary judgment; and (3) the defendant received an adequate remedy through the judgment in its favor.<sup>108</sup>

Taking a closer look at these rationales suggests that the failure to file a claim was the only purportedly “legitimate” reason for failing to order the cancellation. The first reason, that the defendant’s evidence did not conclusively establish that every one of plaintiff’s registrations should be canceled, overlooks the fact that

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of conducting and sponsoring music festivals, chili cook-off contests, ethnic festivals, fishing contests, and boat racing. *Id.* at 338 n.\*.

<sup>100</sup> *Id.* at 337.

<sup>101</sup> *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 337 (4th Cir. 2009).

<sup>102</sup> *Id.* at 339.

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 342.

<sup>107</sup> *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 342–43 (4th Cir. 2009).

<sup>108</sup> *Id.*

there was conclusive evidence for at least some of the registrations at issue. In fact, that was the reason for granting the defendant's summary judgment motion in the first place; the marks were invalid as generic or geographically descriptive.<sup>109</sup> The district court did not find the OBX mark to be invalid for some products but valid for others. It simply found that the term OBX was being used to describe a location rather than serving as a trademark and indicating the goods' source.<sup>110</sup> Even if it were true that some of the registered marks were valid, why not cancel the registrations of the invalid marks? As explained *infra*, no efficiencies are gained by requiring the defendant to petition for cancellation before the TTAB.<sup>111</sup> Thus, the Fourth Circuit's first reason for refusing cancellation seems to be incorrect at worst and a non sequitur at best. The third reason, that the defendant received an adequate remedy through the judgment in its favor,<sup>112</sup> may be true. Nevertheless, it ignores both the efficiencies of ordering the cancellation and, perhaps more important, the burdens imposed on other businesses, the public, and the TTAB. These concerns are addressed in more detail below.<sup>113</sup> Because the first and third rationales do not make much sense from a legal, logical, or efficiency perspective, the only remaining rationale for refusing to order the cancellation is that instead of filing a claim for cancellation, the defendant requested cancellation as part of its motion for summary judgment.<sup>114</sup>

Similarly, in *Harley-Davidson, Inc. v. Grottanelli*, the district court held that the plaintiff's registered mark for motorcycles, HOG, was generic, but the court refused to cancel the registration.<sup>115</sup> Harley-Davidson, the plaintiff, claimed that the defendant, a motorcycle repair company, infringed its HOG mark.<sup>116</sup> Initially, the district court found in the plaintiff's favor, but on appeal, the Second Circuit reversed and held that the plaintiff's mark was generic.<sup>117</sup> Based on the Second Cir-

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<sup>109</sup> *Id.* at 339.

<sup>110</sup> *Id.* at 340–41.

<sup>111</sup> *See infra* Part IV.B.

<sup>112</sup> *OBX-Stock*, 558 F.3d at 342–43.

<sup>113</sup> *See infra* Parts IV(B)–(C).

<sup>114</sup> According to the defendant's trial counsel, the defendant requested cancellation in its Amended Answer, although not styled as a counterclaim. E-mail from David Sar, Trial Counsel for Defendant Bicast, Inc., to author (June 3, 2009, 06:15 PST) (on file with author).

<sup>115</sup> *Harley-Davidson, Inc. v. Grottanelli*, 91 F. Supp. 2d 544, 547 (W.D.N.Y. 2000).

<sup>116</sup> *Id.* at 546.

<sup>117</sup> *Id.* at 545 (citing *Harley-Davidson, Inc. v. Grottanelli*, 164 F.3d 806, 811 (2d Cir. 1999)).

cuit's ruling, the defendant, on remand to the district court, requested cancellation of the plaintiff's registrations.<sup>118</sup> Although acknowledging that courts cancel registrations when a mark is determined to be generic, the district court refused to do so.<sup>119</sup> The court reasoned that given section 37's permissive language and that the defendant raised the cancellation issue on remand instead of as a counterclaim, the defendant was not entitled to have the registrations canceled by the court.<sup>120</sup> The defendant must instead petition the TTAB for cancellation, the court said.<sup>121</sup>

Likewise, in *CNA Financial Corp. v. Brown*, the Eleventh Circuit affirmed the district court's refusal to cancel the plaintiff's registrations despite the district court holding that the marks had been abandoned.<sup>122</sup> The plaintiff, a holding company owning several insurance companies, registered a few marks on the Principal Register and alleged that the defendant infringed these marks.<sup>123</sup> At trial, the defendant successfully argued that the plaintiff's marks had been abandoned because of naked licensing.<sup>124</sup> Despite finding abandonment, the district court denied the defendant's "cursory request" for cancellation.<sup>125</sup> As it turns out, the defendant did not request cancellation as a counterclaim, but instead merely asked for cancellation in its opening statement.<sup>126</sup> This, the court implied, was insufficient.<sup>127</sup>

In contrast to *OBX-Stock*, *Grottanelli*, and *CNA Financial*, the next two cases ultimately resulted in the appellate courts ordering the PTO to cancel the registrations at issue. The first case, *Gracie v. Gracie*, involved the mark GRACIE JIU-JITSU for teaching and competing in the martial art of jiu-jitsu.<sup>128</sup> The defendant,

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<sup>118</sup> *Id.* at 546–47.

<sup>119</sup> *Id.* at 547.

<sup>120</sup> *Id.*

<sup>121</sup> *Harley Davidson, Inc. v. Grottanelli*, 91 F. Supp. 2d 544, 547 (W.D.N.Y. 2000).

<sup>122</sup> *CNA Fin. Corp. v. Brown*, 162 F.3d 1334, 1337 n.4 (11th Cir. 1998).

<sup>123</sup> *Id.* at 1335–36.

<sup>124</sup> *See id.* at 1336. "Naked licensing" is licensing a mark without sufficient quality control over the licensee's use of the mark. *Barcamerica Int'l USA Trust v. Tyfield Imps., Inc.*, 289 F.3d 589, 595–96 (9th Cir. 2002). Engaging in naked licensing results in a finding of abandonment. *Id.*

<sup>125</sup> *CNA Fin. Corp. v. Brown*, 922 F. Supp. 567, 576 (M.D. Fla. 1996).

<sup>126</sup> Initial Brief of Respondent-Appellees-Cross-Appellants at 43, *CNA Fin. Corp. v. Brown*, 162 F.3d 1334 (11th Cir. 1998) (No. 96-3119), 1997 WL 33570689, at \*43.

<sup>127</sup> *CNA Fin. Corp. v. Brown*, 162 F.3d 1334, 1337 n.4 (11th Cir. 1998).

<sup>128</sup> *Gracie v. Gracie*, 217 F.3d 1060, 1063 (9th Cir. 2000).

Rorion Gracie, had registered GRACIE JIU-JITSU in 1989.<sup>129</sup> The plaintiff, Carley Gracie, who was also Rorion's cousin, used the Gracie name in identifying his own jiu-jitsu business.<sup>130</sup> Eventually, the family members had a falling out, and Carley sued Rorion on a variety of grounds, including cancellation of Rorion's registration.<sup>131</sup> Rorion counterclaimed for infringement.<sup>132</sup> The jury found that Rorion's mark was invalid, but the district court refused to exercise its power under section 37 to order cancellation of Rorion's registration.<sup>133</sup> Nonetheless, on post-trial motions, the district court confirmed the jury's findings and declared that Rorion did not have a valid mark for GRACIE JIU-JITSU.<sup>134</sup> The Ninth Circuit reversed and held that the district court abused its discretion by refusing to cancel the invalid mark's registration in light of the jury's verdict.<sup>135</sup> Importantly, and unlike the defendants in *OBX-Stock*, *Grottanelli*, and *CNA Financial*, Carley filed a claim for cancellation rather than just seeking cancellation in a motion or in opening statements.

The second case, *American Heritage Life Insurance Company v. Heritage Life Insurance Company*, involved the word HERITAGE in the context of insurance companies.<sup>136</sup> The plaintiff, AHLIC, was an insurance company involved in the direct sale of insurance.<sup>137</sup> The defendant, HLIC, initially operated as a reinsurer but later became involved in the direct sale of insurance.<sup>138</sup> AHLIC registered the mark HERITAGE for planning and underwriting life and health insurance, and eventually filed an infringement suit against HLIC.<sup>139</sup> In response to the in-

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<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

<sup>131</sup> *Id.*

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* The basis for invalidity is not certain, but from the briefs filed by the parties, it appears that the jury found Rorion's mark to be either generic or descriptive without secondary meaning. *See, e.g.,* Principal Brief of Respondent-Appellees at 30–31, *Gracie v. Gracie*, 217 F.3d 1060 (9th Cir. 2000) (No. C94-4156SC), 1999 WL 33612689, at \*30–31.

<sup>134</sup> *Gracie*, 217 F.3d at 1064.

<sup>135</sup> *Id.* at 1065–66.

<sup>136</sup> *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 7 (5th Cir. 1974).

<sup>137</sup> *Id.*

<sup>138</sup> *Id.*

<sup>139</sup> *Id.* at 8.

fringement suit, HLIC filed a counterclaim for cancellation of AHLIC's registration.<sup>140</sup> After a full trial, the district court held AHLIC's mark was either generic or merely descriptive without secondary meaning, but it denied HLIC's cancellation counterclaim.<sup>141</sup> On appeal, the Fifth Circuit affirmed the district court's decision that AHLIC's mark was invalid as either generic or merely descriptive without secondary meaning.<sup>142</sup> Regarding the district court's refusal to exercise its power under section 37, the Fifth Circuit reversed and held it was error to refuse to order the cancellation.<sup>143</sup> Concluding this part of its opinion, the court noted that "[h]aving determined that the word 'Heritage' is generic or merely descriptive, and that it has not been endowed by AHLIC with secondary meaning sufficient to make the word distinctive, we believe that the Act's purposes would be served by ordering the cancellation of the registration."<sup>144</sup> Like Carley in *Gracie* and unlike the defendants in *OBX-Stock*, *Grottanelli*, and *CNA Financial*, HLIC filed a claim for cancellation rather than seeking cancellation in a motion or during trial.

To read these cases consistently so as not to create a split in the circuits, one can rely on the fact that in *OBX-Stock*, *Grottanelli*, and *CNA Financial*, the defendants failed to assert cancellation as claims, whereas in *Gracie* and *American Heritage*, the parties seeking cancellation did assert claims. I call this theory the missing-claim rule.<sup>145</sup>

In further support of this theory are two cases with slightly different procedural postures. The first is *Empresa Cubana Del Tabaco v. Culbro Corporation*, where the Second Circuit affirmed the district court's denial of a motion ordering the PTO to dismiss a pending cancellation petition.<sup>146</sup> The plaintiff, a Cuban instrumentality responsible for cigar sales, brought a trademark infringement suit

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<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at 7–8.

<sup>142</sup> *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 13 (5th Cir. 1974).

<sup>143</sup> *Id.* at 13–14.

<sup>144</sup> *Id.* at 14.

<sup>145</sup> Depending on who filed suit first and against whom, the claim for cancellation may be a claim, counterclaim, or cross-claim. For example, in *Gracie*, the cancellation was a claim rather than a counterclaim because declaratory relief was sought. Ultimately, it does not matter if it is a counterclaim, claim, or cross-claim. *Gracie v. Gracie*, 217 F.3d 1060, 1064 (9th Cir. 2000). What matters is that a cause of action is asserted by one party against another.

<sup>146</sup> *Empresa Cubana Del Tabaco v. Culbro Corp.*, 541 F.3d 476, 477 (2d Cir. 2008).

against the defendant, an American cigar company, for using the mark COHIBA.<sup>147</sup> In addition, the plaintiff initiated a cancellation proceeding before the TTAB to cancel the defendant's registration.<sup>148</sup> The district court eventually dismissed the plaintiff's claims but denied the defendant's motion to have the TTAB dismiss the cancellation petition.<sup>149</sup> The Second Circuit recognized that section 37 permitted the relief the defendant requested, but noted that the defendant did not request section 37 relief as a counterclaim.<sup>150</sup> The request was part of a motion to amend the judgment following the adjudication of the underlying trademark dispute and the district court's dismissal of the action.<sup>151</sup> The Second Circuit held that there was no abuse of discretion by the district court, despite the efficiency that would have been accomplished by ordering the PTO to follow the court's lead.<sup>152</sup> The defendant still had the ability to raise its arguments before the PTO.<sup>153</sup> The failure to assert a section 37 cancellation as a counterclaim was obviously weighing on the court's mind. It mentioned the defendant's lack of a counterclaim twice in the opinion and also noted that a request under section 37 is ordinarily made as a counterclaim in an infringement suit.<sup>154</sup>

The second case lending support to the missing-claim rule is *Eagles, Ltd. v. American Eagle Foundation*.<sup>155</sup> In this case, the Sixth Circuit affirmed the district court's denial of a motion to order the PTO to dismiss a trademark opposition based on the dismissal of the district court case.<sup>156</sup> The plaintiff was the famous rock-and-roll band, the Eagles.<sup>157</sup> The band filed an infringement suit against the Ameri-

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<sup>147</sup> *Id.*

<sup>148</sup> *Id.*

<sup>149</sup> *Id.* at 477–78.

<sup>150</sup> *Id.* at 478.

<sup>151</sup> *Id.*

<sup>152</sup> *Empresa Cubana Del Tabaco v. Culbro Corp.*, 541 F.3d 476, 478–79 (2nd Cir. 2008).

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

<sup>155</sup> *Eagles, Ltd. v. Am. Eagle Found.*, 356 F.3d 724 (6th Cir. 2004).

<sup>156</sup> *Id.* at 725.

<sup>157</sup> In his autobiography, comedian Steve Martin recounts a conversation with band member Glenn Frey where Frey is insistent that the name of the band is Eagles, not the Eagles. See STEVE MARTIN, *BORN STANDING UP: A COMIC'S LIFE* 136 (2008). However, a visit to the band's web

can Eagle Foundation (AEF), a nonprofit organization dedicated to protecting American bald eagles.<sup>158</sup> As part of its operations, AEF sold and promoted music-related products, used the Internet domain name “eagles.org,” and had the vanity phone number (800) 2-EAGLES.<sup>159</sup> AEF had also filed a trademark application with the PTO to register the mark AMERICAN EAGLE RECORDS, which the Eagles opposed.<sup>160</sup> Eventually, the district court dismissed the band’s claims with prejudice after several continuances and a voluntary dismissal just before trial.<sup>161</sup> AEF moved for an order directing the PTO to dismiss the plaintiff’s opposition.<sup>162</sup> The district court denied AEF’s motion, stating that AEF could always bring this claim before the PTO.<sup>163</sup> The Sixth Circuit affirmed the district court’s refusal to exercise its power under section 37 because the district court had not decided any issues regarding the mark’s validity.<sup>164</sup> The appellate court also noted that the issue was not properly before the district court because AEF raised the issue for the first time in its motion and not as a counterclaim to the infringement action.<sup>165</sup> Although *Empresa Cubana* and *Eagles* present a different procedural posture from the cases described earlier, both support the notion that the missing-claim rule is a reality.

There is one case threatening to present a split in the circuits on the issue of whether failure to plead a claim for cancellation is sufficient for a district court to refuse to exercise its section 37 powers. In *Sykes Laboratory, Inc. v. Calvin*, the plaintiff filed suit against the defendant for trademark infringement based on, *inter alia*, its nail hardener bottle design, which had been registered with the PTO.<sup>166</sup> The defendant filed a motion for summary judgment and requested an order cancel-

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site, <http://www.eaglesband.com>, shows several instances where the band is referred to as “the Eagles.” Despite Mr. Frey’s insistence, I will refer to the band as “the Eagles.”

<sup>158</sup> *Eagles*, 356 F.3d at 725–26.

<sup>159</sup> *Id.* at 725.

<sup>160</sup> *Id.* at 725–26.

<sup>161</sup> *Id.* at 726.

<sup>162</sup> *Id.*

<sup>163</sup> *Id.* at 730.

<sup>164</sup> *Eagles, Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 730 (6th Cir. 2004).

<sup>165</sup> *Id.* at 730–31.

<sup>166</sup> *Sykes Lab., Inc. v. Calvin*, 610 F. Supp. 849, 851 (C.D. Cal. 1985).

ing the registration of the plaintiff's bottle design.<sup>167</sup> The defendant argued that the plaintiff's registration should be canceled because either it was fraudulently obtained or it was invalid as the bottle design was generic or merely descriptive without secondary meaning.<sup>168</sup> The court eventually concluded that the bottle design was an invalid mark because it had not acquired secondary meaning.<sup>169</sup> Based on this finding of invalidity, the court ordered the registration canceled.<sup>170</sup> What distinguishes *Sykes* from the cases where cancellation was ultimately ordered is that the court noted that the defendant did not file a claim in support of its request that the plaintiff's registration be canceled.<sup>171</sup> In rejecting this requirement, the court noted that a claim was not a prerequisite to canceling a registration under section 37, and the fact that the defendant asserted cancellation as an affirmative defense was sufficient.<sup>172</sup> Unfortunately, the case was never appealed, so the Ninth Circuit never had the opportunity to address this issue.

Because *Sykes* was only a district court opinion, there is no split in the circuits, and the missing-claim rule may accurately describe the current state of the law. However, as explained *infra*, the state of the law is improper and should be corrected.<sup>173</sup> If *Sykes* is correct and a claim is not required, then a split in the circuits will exist, and it should be resolved according to the proposal below.<sup>174</sup>

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<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 859.

<sup>169</sup> *Id.* at 861–62 (“The critical question, then, is whether plaintiff succeeded in creating secondary meaning for its vial under section 2(f) of the Lanham Act. . . . All the evidence supports defendants’ position that the plaintiff’s bottle design does not create a distinct commercial impression calling to mind Sykes Laboratory.”). Because the court disposed of the issue on the basis of a lack of secondary meaning, it declined to address the basis that the registration was obtained fraudulently. *Id.* at 863 n.11.

<sup>170</sup> *Id.* at 863.

<sup>171</sup> *Sykes Lab., Inc. v. Calvin*, 610 F. Supp 849, 863 n.10 (C.D. Cal. 1985).

<sup>172</sup> *Id.* at 863 n.10. Because cancellation removes the benefits of registration but does not terminate trademark rights, it seems odd to assert cancellation as an affirmative defense. Nonetheless, accepting a request for cancellation as an affirmative defense suggests that the *Sykes* court would have approved a request in other ways besides a claim.

<sup>173</sup> See *infra* Parts IV. B.–C., V.

<sup>174</sup> See *infra* Part V.

### B. Extra Burdens

One problem with courts refusing to cancel a registration unless cancellation is asserted as a claim is that the prevailing party in the litigation may have very little incentive to initiate TTAB proceedings. The prevailing party in such a suit has shown that the owner's mark is invalid, perhaps by proving the mark was generic or merely descriptive without secondary meaning. The mark owner no longer has a valid mark to assert against the prevailing party, and the prevailing party has a judgment in hand preventing the mark owner from bothering it about infringement. The prevailing party is then free use the mark without having to take any additional steps.

If the prevailing party has no intention to register the mark itself<sup>175</sup> or if the mark owner's registration would not otherwise bar the prevailing party's registration of its mark,<sup>176</sup> then the prevailing party has no incentive to file a petition with the TTAB to cancel the mark owner's registration. As discussed *supra*, the costs and procedures for a cancellation are similar to litigation in court.<sup>177</sup> The prevailing party in the infringement suit, having already spent a tremendous amount of time and money litigating the mark's invalidity in court, would have no reason to spend additional resources for no gain.<sup>178</sup>

Moreover, even if the prevailing party in the litigation did need to cancel the registration,<sup>179</sup> it is more efficient for the court to order the PTO Director to cancel the mark than to have the prevailing party initiate TTAB proceedings. Not only is

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<sup>175</sup> Perhaps the prevailing party's mark is identical to the mark owner's and the court found the mark to be generic. In this situation, the prevailing party would have no reason to seek registration of its mark because its application would be denied.

<sup>176</sup> Perhaps the prevailing party's mark is not confusingly similar to the mark owner's mark and the prevailing party not only succeeded in showing a lack of likelihood of confusion, but also proved the mark owner's mark was invalid. In this situation, the prevailing party could register its mark without a risk of a likelihood of confusion with the registered mark. Obviously, this result also fails to account for the public's welfare as reflected by maintaining the Principal Register.

<sup>177</sup> See *supra* Part III.B.

<sup>178</sup> In fact, there could even be a *disincentive* to cancel the invalid registration if the prevailing party could not register the mark itself and wanted to keep the invalid mark on the Principal Register to discourage use by others coming across the mark in a search.

<sup>179</sup> For example, if the prevailing party's mark and the mark owner's registered mark would be confusingly similar, the mark owner's registration would bar the prevailing party from registering its mark, and the basis for invalidity of the mark owner's mark was that it was merely descriptive without secondary meaning, then the prevailing party might want to have the registration canceled so the prevailing party could attempt to register its mark with a showing of secondary meaning.

it more efficient vis-à-vis the prevailing party's resources, but it is also more efficient vis-à-vis the government's resources. There is no sound reason to require the three TTAB judges and their staff to spend time reviewing the documents, discussing the case, and writing orders when the same result can be reached by the court ordering the PTO to cancel the registration.

### C. Effect on the Public

An additional problem with a court refusing to exercise its power under section 37 unless the party seeking cancellation files a claim is that it imposes an additional cost on the public. This can occur in two ways. First, if the prevailing party refuses to initiate a cancellation proceeding, then the mark owner's invalid mark remains on the Principal Register.<sup>180</sup> As noted earlier, the Principal Register serves as the public record of registered marks and aims to allow businesses to easily search and determine what marks are available.<sup>181</sup> If the Principal Register lists the invalid mark as registered, then businesses searching the Principal Register and hoping to use that mark will find that the mark is registered. Because the Principal Register does not indicate that the prevailing party successfully proved the owner's mark was invalid, the searching businesses may be unaware of this fact and will have to devote additional resources to searching for and selecting a mark, or put resources towards uncovering the invalid mark's true status. Unknown to these businesses, the additional costs are unnecessary, and they can use the improperly registered mark. The businesses that have expended additional resources in searching for a mark must now recoup those costs, resulting in higher prices for their products and services. Alternatively, these resources are no longer available to invest in future product development. Higher prices and impeding product development are not good for consumers and run contrary to one of trademark law's main purposes: increasing consumer welfare.<sup>182</sup> Similarly, the mark owner whose registration is not canceled but who continues to use the mark may use the registration to harass others so they will refrain from using the mark.<sup>183</sup>

Second, if the prevailing party were to initiate cancellation proceedings before the TTAB, then this would cost the prevailing party time and money, including the

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<sup>180</sup> See 3 MCCARTHY, *supra* note 6, § 20:40 (noting that cancellation is initiated by one who is or will be damaged by the registration).

<sup>181</sup> See *supra* Part II.

<sup>182</sup> See Dogan & Lemley, *supra* note 29, at 466–67.

<sup>183</sup> Of course, this would be an empty threat, but the unknowing third parties may opt to continue on with their searches rather than become embroiled in a dispute with the mark owner.

filing fees and attorneys' fees. The prevailing party might try to recoup these additional costs, which could result in higher prices for its products or services<sup>184</sup> or impede the development of future products because of diminished of resources. Both results are harmful to consumers.

### V. Reforming Judicial Cancellations

To fix the problems associated with maintaining invalid marks on the Principal Register, I propose the following multi-part solution. First, the missing-claim rule—the requirement that a party needs to request cancellation under section 37 as a claim—should be abolished. A party should be allowed to request this relief at any point and in any manner during the litigation. This request could be made as part of the relief sought on a summary judgment motion, in a post-trial motion, or as an affirmative defense, or could even be raised for the first time on appeal.

Second, courts should exercise their power to order cancellation under section 37 *sua sponte* if the party has successfully proven the invalidity of the mark. Even if the party fails to request cancellation, the courts should be encouraged to exercise their section 37 power in this situation.<sup>185</sup>

Third, a court's failure to order cancellation after a registered mark has been proved invalid, should be treated as a *per se* abuse of discretion. The appellate courts can serve as a backstop, furthering policy concerns if the district court fails to cancel the mark (either at the party's request after invalidity has been proven or *sua sponte*). If the courts are unwilling to adopt these practices and standards, Congress should amend section 37 to reflect these proposals.

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<sup>184</sup> Charging a higher price to consumers is only a minor concern. These additional costs would probably be negligible when large economies of scale are in effect, which would probably occur in many instances.

<sup>185</sup> To be sure, the easiest way to ensure the registration is canceled is for the prevailing party, or more precisely the prevailing party's attorney, to request cancellation. Whether a failure by the attorney to request cancellation would amount to malpractice is an interesting question. Malpractice would shift some of the costs to the responsible person (the attorney). Presumably, the damages would be the costs associated with pursuing a cancellation proceeding before the TTAB. However, there may not be damages in some cases because the prevailing party in the trademark litigation may not care too much if the registration is canceled. *See supra* notes 175–176 and accompanying text. In those circumstances, malpractice would not be pursued. There are some circumstances where the prevailing party would want the registration canceled, and malpractice could be appropriate in those circumstances. *See supra* note 179. Nonetheless, malpractice would not resolve the problems associated with efficiencies and benefitting the public. For these reasons, relying on malpractice to remedy the problems is an incomplete solution.

### A. An Appropriate Balance of Costs

One objection to mandatory cancellation under section 37 may be that we do not want to add to the already overburdened judiciary.<sup>186</sup> This is not a justified concern. Courts exercising their section 37 cancellation powers will have already decided the issue of validity during the course of the underlying litigation. The courts will not be required to review additional evidence or hear additional arguments. These facts will have already been presented, and the legal issue will have already been decided. Other than ordering the PTO Director to record the cancellation,<sup>187</sup> there is no additional work to be done by the court. Ordering the PTO to record the cancellation is not an involved process. The court clerk merely stamps a copy of the order to certify it and mails it to the PTO.<sup>188</sup> In fact, the courts already have an existing burden to correspond with the PTO. Section 34(c) of the Lanham Act requires the court clerk to notify the PTO Director of any judgments entered with respect to a registered mark.<sup>189</sup> Because the court already has a duty to notify the PTO of the judgment, it is no additional work to order the cancellation.

Moreover, the costs of ordering the Director to record the cancellation are clearly outweighed by the burden placed on the TTAB of having to conduct the cancellation proceeding. Costs to the TTAB (staff and judges) include processing the petition, reviewing the evidence, ruling on any motions filed before final disposition of the case, and drafting an opinion deciding the issue.<sup>190</sup> It makes little sense to impose such costs on the TTAB when the same outcome would result if the district court had simply ordered the cancellation under section 37. Therefore, by abolishing the missing-claim rule and requiring courts to exercise their power under section 37, the proper balance is struck between imposing the cancellation costs on the courts and the TTAB.

What about claim preclusion or issue preclusion? Perhaps one or both of these doctrines could be used by the party seeking cancellation or the TTAB to lim-

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<sup>186</sup> See C.J. JOHN G. ROBERTS, SUPREME COURT OF THE U.S., 2008 YEAR-END REPORT ON THE FEDERAL JUDICIARY 10–13 (2008), <http://www.supremecourtus.gov/publicinfo/year-end/2008year-endreport.pdf> (describing a 5% increase in federal appeals and a 4% increase in both civil and criminal cases in U.S. district courts).

<sup>187</sup> Trademark (Lanham) Act of 1946 § 37, 15 U.S.C. § 1119 (2006).

<sup>188</sup> Thanks to the Clerk's Office in the U.S. District Court in the Northern District of Illinois for explaining the process. Interview with Clerk's office, U.S. Dist.Court N.D. Ill. (May 22, 2008).

<sup>189</sup> 15 U.S.C. § 1116(c).

<sup>190</sup> See generally TBMP, *supra* note 79, § 102.03.

it their expenditure of resources. Claim preclusion is where “a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action.”<sup>191</sup> Issue preclusion, on the other hand, applies when “the second action is upon a different cause of action and the judgment in the prior suit precludes relitigation of issues actually litigated and necessary to the outcome of the first action.”<sup>192</sup> Both doctrines promote efficiency by minimizing the amount of redundant litigation.<sup>193</sup> If the prevailing party in the judicial proceeding could rely on one of these doctrines to show that registrant’s trademark had previously been proved invalid, then the TTAB could be relieved of much of its duties. No factual findings or legal conclusions would need to be made about the mark’s validity; the court would have already performed that step.

It is unlikely that claim preclusion can be successfully invoked by the party seeking cancellation. In *Jet, Inc. v. Sewage Aeration Systems*, the Federal Circuit rejected the applicability of claim preclusion.<sup>194</sup> The court held that a finding of non-infringement was not based on the same transactional facts as a cancellation.<sup>195</sup> In particular, the court held that the following differences bar the applicability of claim preclusion:

[(1)] infringement requires the defendant to have used the allegedly infringing words or symbols in commerce and in connection with the sale or promotion of goods or services, cancellation requires none of these;

[(2)] cancellation requires the respondent[] to hold a federally registered mark, infringement does not; and

[(3)] cancellation requires inquiry into the registrability of the respondent’s mark, infringement does not.<sup>196</sup>

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<sup>191</sup> *Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 326 n.5 (1979).

<sup>192</sup> *Id.*; see also RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982) (“When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”).

<sup>193</sup> See 18 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4402 (2d ed. 2002).

<sup>194</sup> *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1365 (Fed. Cir. 2000).

<sup>195</sup> *Id.* at 1364.

<sup>196</sup> *Id.* The court also noted that infringement requires the plaintiff to have a valid registered mark, while cancellation does not. *Id.* This is an inaccurate statement. Infringement can be based on common-law trademarks that are not federally registered. See 15 U.S.C. § 1125(a)(3) (2006).

Ultimately, the Federal Circuit held that these “differences in transactional facts conclusively demonstrate[d] that claim preclusion cannot serve to bar a petition for cancellation based upon an earlier infringement proceeding.”<sup>197</sup> In *STMicroelectronics, Inc. v. Nartron Corporation*, the TTAB relied on *Jet* and refused to cancel the registration on the basis of claim preclusion.<sup>198</sup> It did so even though a district court previously found the registered mark to be generic, and its decision was subsequently affirmed by the court of appeals.<sup>199</sup> Based on the holdings of *Jet* and *STMicroelectronics*, it would be difficult for a party who successfully proved the registrant’s mark was invalid to rely on claim preclusion to minimize the costs of pursuing a cancellation before the TTAB.

Issue preclusion is a different story and may help a party who has successfully proved invalidity of the registrant’s mark. Four elements are required to establish issue preclusion: (1) the issues were identified in a prior proceeding; (2) the issues were actually litigated; (3) the determination of the issues was necessary to the resulting judgment; and (4) the party defending against preclusion had a full and fair opportunity to litigate the issues.<sup>200</sup>

Issue preclusion seems particularly apt for the successful litigant in a judicial proceeding. Where a court finds a mark invalid and denies enforcement, typically all four elements are met. In the judicial proceeding, the validity of the registrant’s mark was an issue. This same issue is presented in the cancellation. The validity issue was actually litigated in the judicial proceeding because the court specifically ruled on the issue. The determination of the mark’s validity was necessary to the resulting judgment as an invalid mark strips the mark owner of any rights in the mark and makes it impossible to prove the first element of an infringement case. Finally, the mark owner had a full and fair opportunity to litigate the mark’s validity.<sup>201</sup>

Such a situation existed in *International Order of Job’s Daughters v. Lindeburg & Company*.<sup>202</sup> In *Lindeburg*, the registrant, Job’s Daughters, sued Lindeburg

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<sup>197</sup> *Jet*, 223 F.3d at 1364.

<sup>198</sup> *STMicroelectronics, Inc.*, Cancellation No. 92042527, 2005 WL 1285675, at \*3 (T.T.A.B. May 17, 2005).

<sup>199</sup> *Id.* at \*1, \*5.

<sup>200</sup> *Jet*, 223 F.3d at 1366.

<sup>201</sup> This assumes there were no procedural irregularities in the trial court proceeding.

<sup>202</sup> *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087 (Fed. Cir. 1984).

for trademark infringement for using its trademarks on jewelry.<sup>203</sup> Although the district court found for Job's Daughters, the Ninth Circuit reversed, holding that Job's Daughters' mark was merely a functional aesthetic component of the jewelry and did not serve as a trademark.<sup>204</sup> Lindeburg eventually filed a petition with the TTAB to cancel Job's Daughters' federal registration and five months later filed a motion for summary judgment based on the Ninth Circuit's previous ruling that the marks were invalid.<sup>205</sup> Five months after that, the TTAB granted the motion for summary judgment and canceled the registration.<sup>206</sup> Job's Daughters, on appeal from the TTAB ruling, challenged the grant of summary judgment, but the Federal Circuit affirmed the TTAB's order finding that issue preclusion was correctly applied.<sup>207</sup> Based on *Lindeburg*, issue preclusion could be successfully invoked by the party seeking cancellation. In *STMicroelectronics*, for example, although the TTAB refused to cancel the registration on the basis of claim preclusion, it did so on the basis of issue preclusion.<sup>208</sup>

Of course, if any element establishing issue preclusion were missing, then the party seeking cancellation would not be able to take advantage of this cost-saving doctrine and would be forced to bear all the expenses normally associated with a cancellation.<sup>209</sup> Nonetheless, even if the party seeking cancellation is able to take advantage of the issue preclusion doctrine, this is an insufficient reason for rejecting the proposed reforms to judicial cancellations. There are still substantial costs associated with the cancellation compared with the relative ease of the court ordering the PTO Director to record the cancellation.<sup>210</sup> The party seeking cancellation must still draft and file the petition and a motion for summary judgment arguing

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<sup>203</sup> *Id.* at 1089.

<sup>204</sup> *Id.*

<sup>205</sup> *Id.*

<sup>206</sup> *Id.*

<sup>207</sup> *Id.* at 1092.

<sup>208</sup> *STMicroelectronics, Inc.*, Cancellation No. 92042527, 2005 WL 1285675, at \*4-5 (T.T.A.B. May 17, 2005).

<sup>209</sup> On remand in *Jet*, the TTAB refused to apply issue preclusion, finding there was not identity of the issues because of the differences in the TTAB looking at all normal marketing channels of the product bearing the mark, whereas courts only inquire into the actual marketing channels used by the registrant. See *Jet, Inc.*, Cancellation No. 25,587, 2003 WL 355736, at \*4 (T.T.A.B. Feb. 13, 2003).

<sup>210</sup> See generally 3 MCCARTHY, *supra* note 6, § 20:40 (discussing cancellation by both procedures).

that issue preclusion is applicable.<sup>211</sup> Moreover, the TTAB staff and judges must still process and review the pleadings, analyze the applicability of issue preclusion, and prepare an order on that basis.<sup>212</sup> These costs, to both the parties and TTAB, far outweigh the negligible cost to the courts of ordering the cancellation.

#### B. Benefits the Public

Besides striking an appropriate balance of costs between courts, the TTAB, and the parties, adopting an automatic cancellation practice upon a finding of invalidity would benefit the public. As discussed *supra*, if district courts refuse to exercise their section 37 power, the prevailing party in the judicial proceeding may simply refuse to initiate the cancellation proceeding.<sup>213</sup> This leaves the invalid mark on the Principal Register and raises the search costs for other businesses who are considering using the invalid mark.<sup>214</sup> If courts were required to exercise their section 37 power to cancel the invalid mark, then the Principal Register would be cleared of litigated invalid marks and would more accurately reflect the availability of marks, thus lowering the search costs for businesses. These lower search costs help avoid unnecessary price increases and enable businesses to dedicate additional resources to product development, both of which increase consumer welfare—the ultimate purpose of trademark law.<sup>215</sup>

In the event the prevailing party does seek cancellation before the TTAB, the process will cost it time and money.<sup>216</sup> If cancellation is sought and the costs are not minimal relative to production and sales, the party may try to recoup these costs, resulting in higher prices for consumers.<sup>217</sup> Instead, these resources could be used elsewhere, such as in the development of better products or services. By requiring the district court to automatically exercise its section 37 power, the prevailing party need not expend the additional resources to cancel the mark. Regardless of which scenario ultimately plays out, abolishing the missing-claim rule and re-

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<sup>211</sup> See, e.g., *Int'l Order of Job's Daughters v. Lindberg & Co.*, 727 F.2d 1087, 1089 (Fed. Cir. 1984); *STMicroelectronics*, 2005 WL 1285675, at \*1–2.

<sup>212</sup> See 3 MCCARTHY, *supra* note 6, § 20:132 (discussing procedures for summary judgment and applicability to collateral estoppel and res judicata).

<sup>213</sup> See *supra* Part IV.B.

<sup>214</sup> See *supra* Part IV.C.

<sup>215</sup> See Dogan & Lemley, *supra* note 29, at 466–67.

<sup>216</sup> See *supra* Parts III.B., IV.C.

<sup>217</sup> See *supra* Part IV.C.

quiring courts to exercise their power under section 37 helps trademark law achieve its consumer welfare goals.

### C. Inapplicable Sua Sponte Concerns

The sua sponte aspect of these proposals may be bothersome to some. The judiciary itself has been conflicted in its feelings towards sua sponte action.<sup>218</sup> Three main objections to sua sponte actions exist: first, that sua sponte action undermines the adversarial system;<sup>219</sup> second, that sua sponte action threatens due process;<sup>220</sup> and third, that sua sponte action harms the view that courts are neutral, rather than partisan.<sup>221</sup> These objections are inapplicable to the exercise of section 37 power sua sponte.

A fundamental premise underlying the adversarial system is that allowing the parties to present evidence and arguments to the court will render more accurate decisions.<sup>222</sup> As Professor Fuller explains:

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<sup>218</sup> Compare *Carducci v. Regan*, 714 F.2d 171, 177 (D.C. Cir. 1983) (Scalia, J.) (“The premise of our adversarial system is that appellate courts do not sit as self-directed boards of legal inquiry and research, but essentially as arbiters of legal questions presented and argued by the parties before them.”), with *Davis v. United States*, 512 U.S. 452, 464 (1994) (Scalia, J., concurring) (“[T]he refusal to consider arguments not raised is a sound prudential practice, rather than a statutory or constitutional mandate, and there are times when prudence dictates the contrary.”). See generally Barry A. Miller, *Sua Sponte Appellate Rulings: When Courts Deprive Litigants of an Opportunity to Be Heard*, 39 SAN DIEGO L. REV. 1253, 1256–59 (2002) (discussing inconsistency among courts regarding sua sponte rulings).

<sup>219</sup> Miller, *supra* note 218, at 1260 (“The fundamental core of due process is that a party should have notice and a meaningful opportunity to be heard before a claim is decided. The adversary system is based on the premise that allowing the parties to address the court on the decisive issue increases the accuracy of the decision. In addition, it increases the parties’ sense that the court’s process and result are fair.”); see also Adam A. Milani & Michael R. Smith, *Playing God: A Critical Look at Sua Sponte Decisions by Appellate Courts*, 69 TENN. L. REV. 245, 272 (2002) (“Deciding cases sua sponte is also inconsistent with the American judicial system’s reliance on the adversary process.”).

<sup>220</sup> Miller, *supra* note 218, at 1260; see also Milani & Smith, *supra* note 219, at 263 (“Thus, [sua sponte] decisions are fundamentally inconsistent with the due process guarantees of the United States Constitution.”).

<sup>221</sup> Miller, *supra* note 218, at 1260.

<sup>222</sup> Miller, *supra* note 218 at 1260; see also Milani & Smith, *supra* note 219, at 273 (“The fundamental premise underlying the adversary system is that a court is more likely to reach the ‘correct’ decision because the advocates will uncover and present more useful information and arguments to the decision makers than the court would develop on its own.”).

[B]efore a judge can gauge the full force of an argument, it must be presented to him with partisan zeal by one not subject to the restraints of judicial office. The judge cannot know how strong an argument is until he has heard it from the lips of one who has dedicated all the powers of his mind to its formulation.<sup>223</sup>

Although there may be merit to this objection, it is inapplicable to the scenario implicated by my proposals. Exercising cancellation power under section 37 *sua sponte* would take place only after the judge has determined that the registered mark is invalid. At this point, there are no additional issues left to decide. The parties have presented their evidence on the mark's validity and have argued why the mark is valid or not. An additional opportunity to present evidence or arguments would be wasteful. The court has already evaluated the evidence relevant to validity, and the same analysis would apply if the party requested cancellation initially. Thus, there is no harm to the adversarial system.

The second objection to *sua sponte* actions is that it threatens due process.<sup>224</sup> The Fifth Amendment guarantees that no person shall "be deprived of life, liberty, or property, without due process of law."<sup>225</sup> The Supreme Court has noted many times that the right of due process guarantees, at a minimum, the right to be heard.<sup>226</sup> Although a court canceling a registration under section 37 could raise due process concerns, the situation where *sua sponte* cancellation would be mandated is limited to those scenarios where the court has already been presented with evidence and arguments concerning the mark's validity. In this situation, the parties have already had the opportunity to be heard. Because of this opportunity, the concerns over due process are illegitimate.

The final objection to *sua sponte* actions is that it harms the belief that courts are neutral rather than partisan, thus disrupting the sense that court processes and

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<sup>223</sup> Lon L. Fuller, *The Adversary System*, in *TALKS ON AMERICAN LAW* 36 (Harold J. Berman ed., 1972).

<sup>224</sup> Milani & Smith, *supra* note 219, at 262–65.

<sup>225</sup> U.S. CONST. amend. V. The Fourteenth Amendment provides the same *vis-à-vis* the states, but because the federal government is taking away the registration, state action is not involved.

<sup>226</sup> Milani & Smith, *supra* note 219, at 263; *see also, e.g.*, *Mullane v. Cent. Hanover Bank & Trust Co.*, 339 U.S. 306, 313 (1950) ("Many controversies have raged about the cryptic and abstract words of the Due Process Clause but there can be no doubt that at a minimum they require that deprivation of life, liberty or property by adjudication be preceded by notice and opportunity for hearing appropriate to the nature of the case."); *Richards v. Jefferson County, Ala.*, 517 U.S. 793, 797 n.4 (1996) ("The opportunity to be heard is an essential requisite of due process of law in judicial proceedings."); *Grannis v. Ordean*, 234 U.S. 385, 394 (1914) ("The fundamental requisite of due process of law is the opportunity to be heard.").

results are fair.<sup>227</sup> The belief that courts are neutral and fair and the consequent acceptance of judicial decisions occurs because “a party who is ‘intimately involved in the adjudicatory process and feels that he has been given a fair opportunity to present his case . . . is likely to accept the results whether favorable or not.’”<sup>228</sup> In contrast, sua sponte action undermines acceptance of courts’ decisions because the parties will not feel like they have been given a fair opportunity to present their case.<sup>229</sup> The basis for this objection is the same as the due process objections: a lack of an opportunity to be heard. For the same reason already enumerated, this threat to acceptance of judicial decisions is inapplicable because the parties *have* had an opportunity to present their case to the judge in the context of the underlying litigation. Once the parties have presented their case on the validity issue, there is no reason for the mark owner to feel that the proceedings were less fair simply because the court ordered the Principal Register to be rectified.

In sum, the standard objections to sua sponte actions are misplaced when applied to courts exercising their section 37 power sua sponte as proposed in this article. The fact that the mark owner will have had an opportunity to present evidence and arguments concerning the mark’s validity eases any concerns that the court is without full knowledge, depriving the mark owner of due process, or threatening the public’s confidence in courts’ decisions.

#### D. Statutory Interpretation

Besides the efficiencies of the proposals in this article, another benefit is that these reforms can be implemented without the need for the courts to engage in creative statutory interpretation. Section 14 of the Lanham Act describes how cancellation before the TTAB is commenced and requires a party to file a “petition to cancel a registration of a mark.”<sup>230</sup> In contrast, section 37 is written in broader language and gives the courts authority to order cancellations without regard to whether a petition was filed.<sup>231</sup> The only requirement under section 37 is that the action involve a registered mark.<sup>232</sup> Because the restrictive petition-filing language

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<sup>227</sup> Milani & Smith, *supra* note 219, at 278.

<sup>228</sup> Milani & Smith, *supra* note 219, at 283–84 (quoting STEPHAN LANDSMAN, READINGS ON ADVERSARIAL JUSTICE: THE AMERICAN APPROACH TO ADJUDICATION 34 (1988)).

<sup>229</sup> Milani & Smith, *supra* note 219, at 284.

<sup>230</sup> Trademark (Lanham) Act of 1946 § 14, 15 U.S.C. § 1064 (2006).

<sup>231</sup> *See* 15 U.S.C. § 1119.

<sup>232</sup> *Id.*

is absent from section 37, courts have no need to read in such a limitation. In fact, the absence of such language from section 37 and its presence in section 14 suggest the contrary: that a claim is not required under section 37. Thus, the clear language of section 37 allows the courts to implement the first proposal, abolition of the missing-claim rule, without contorting the statutory language.

Moreover, Rule 15(b)(2) of the Federal Rules of Civil Procedure supports abolishing the missing-claim rule.<sup>233</sup> Rule 15(b)(2) provides:

When an issue not raised by the pleadings is tried by the parties' express or implied consent, it must be treated in all respects as if raised in the pleadings. A party may move—at any time, even after judgment—to amend the pleadings to conform them to the evidence and to raise an unpleaded issue. *But failure to amend does not affect the result of the trial of that issue.*<sup>234</sup>

The rule's final sentence would allow a court to order cancellation under section 37 even if the prevailing party failed to assert a claim for cancellation. The issue of validity would have been tried by implied consent—namely, the prevailing party's introduction of evidence relating to invalidity without objection of the mark owner.<sup>235</sup>

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<sup>233</sup> To be sure, Rules 15(a)(2) or 15(d) can serve as stopgap measures to the problems created by the missing-claim rule. The courts can allow the party seeking cancellation to amend or supplement the earlier pleading and assert a claim for cancellation. However, Rule 15 is not a complete solution to the problem, as it requires the party to actively request cancellation and still gives the court discretion as to whether leave should be granted. Presumably, the courts would exercise their discretion similar to the way they have exercised their discretion under section 37. In fact, this is exactly what occurred in *CNA Financial. CNA Fin. Corp. v. Brown*, 162 F.3d 1334, 1337 n.4 (11th Cir. 1998). The Eleventh Circuit treated the defendant's request for cancellation during opening statements as a request for leave to amend to file a counterclaim. *Id.* The Eleventh Circuit refused to characterize the district court's denial of leave to amend as an abuse of discretion because "of the untimely nature of [the] request, and the possible prejudice to [the plaintiff] of introducing a counter-claim for the first time at trial." *Id.* The court failed to point out how the claim would be untimely and what prejudice the plaintiff might have suffered. This is the same mistake courts make when refusing to cancel registrations under section 37 when the marks are already held invalid.

<sup>234</sup> FED. R. CIV. P. 15(b)(2) (emphasis added).

<sup>235</sup> Courts have, however, regularly denied amendments to the pleadings where evidence is relevant to an issue already in the case in addition to the new issue and there has been no indication at trial that the party introducing the evidence is seeking to raise a new issue. The reasoning behind this rule is that if evidence is introduced in support of issues that have been pleaded, then the party opposing the new issue may not have notice of its relevance. 6A CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, *FEDERAL PRACTICE AND PROCEDURE* § 1493 (2d ed. 1990). It could be argued that cancellation was not tried by implied consent because the evidence concern-

The second proposal, requiring courts to order cancellations when the invalidity of the registered mark has been established, can also be read consistently with the language of section 37. In an action involving a registered mark, section 37 says, “the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.”<sup>236</sup> Although a mandatory rule requiring district courts to cancel a registration when the mark has been proven invalid could use the phrase “shall determine” rather than “may determine,” the use of “may determine” reflects the understanding that situations may arise in which a mark may be found invalid, but the courts may not want to intervene and efficiencies may not be gained by doing so. In these situations, we want to let the courts refuse to exercise their section 37 powers. Thus, requiring courts to order cancellation when the registered mark is found to be invalid can be read consistently with section 37’s permissive language; the permissive language is applicable to situations other than when the registered mark is found to be invalid.

Finally, the third proposal, characterizing a failure to order cancellation when a mark has been found to be invalid as a per se abuse of discretion, can be implemented under section 37’s current language. Section 37 is silent as to the standard of review and provides no guidance as to when the district court has abused its discretion.

Despite the fact that the judiciary can implement the proposals described herein within the existing language of section 37 and without the need for Congressional intervention, Congress can easily remedy the courts’ failure to do so. To implement these proposals, section 37 could be amended as follows:

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the regis-

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ing invalidity for purposes of cancellation was relevant to an issue already in the case (i.e. whether the mark owner had an enforceable mark—the first element of a trademark infringement claim). The cases refusing amendment are distinguishable from the situation presented in this article because in the cases where the amendment was not permitted, the opposing party planned its arguments on the pleaded case, but the arguments would not have fully addressed the newly raised issues. *See Otness v. United States*, 23 F.R.D. 279 (D. Alaska 1959). In contrast, the situation presented in this article involves an already existing issue (validity) and the newly raised issue of cancellation, which are identical for purposes of the mark owner’s ability to address each issue. The mark owner’s planning and preparation for a case concerning invalidity of the mark is unaffected by the issue of cancellation. The mark owner need not undertake any additional planning or preparation.

<sup>236</sup> Trademark (Lanham) Act of 1946 § 37, 15 U.S.C. § 1119 (2006).

trations of any party to the action. *Upon finding a registered mark to be invalid, the court shall order the registration or registrations canceled regardless of the form or presence of a request by a party.* Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.<sup>237</sup>

This amendment to section 37 would expressly eliminate the missing-claim rule by noting that the form of a request for cancellation is irrelevant. This amendment also clarifies that the court must exercise this power sua sponte by noting that the presence of a request by a party is not a requirement and using mandatory language. Finally, the mandatory language “shall order” indicates to the appellate courts that a failure to do so is error as a matter of law. Again, Congressional action is not necessary; the courts can implement these changes on their own. But to the extent the courts fail to do so, Congress should step in and instruct them accordingly.

## VI. Conclusion

The courts’ power to “rectify the register” under section 37 is a tool for efficiency. Not only does it create efficiencies by avoiding duplicate litigation, it creates efficiencies in the production of goods and services, ultimately to the benefit of consumers. This tool is consistent with trademark law’s purpose. In contrast, the courts’ missing-claim rule has erected barriers to section 37’s efficiencies.<sup>238</sup> By abolishing the missing-claim rule, requiring the courts to exercise their power if the registered mark has been proven invalid, and establishing a per se abuse of discretion standard, section 37 will maximize efficiencies as well as benefit the public and administrative trademark system without imposing an undue burden on the courts.<sup>239</sup>

Although sua sponte action generally causes discomfort because of concerns about due process, giving deference to the adversarial system, and maintaining the judicial system’s legitimacy, these concerns are inapplicable to the proposals in this article.<sup>240</sup> Because the issue of trademark validity will have already been argued and determined by the court, the trademark owner will not be deprived of an oppor-

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<sup>237</sup> Emphasis added to illustrate modifications.

<sup>238</sup> See *supra* Part IV.B.–C.

<sup>239</sup> See *supra* Part V.

<sup>240</sup> See *supra* Part V.C.

tunity to be heard and will have participated in educating the court on the validity issue.<sup>241</sup>

Finally, the existing text of section 37 permits courts to implement the changes proposed in this article without having to contort the statutory language.<sup>242</sup> To the extent the courts refuse to adopt these proposals, Congress should step in and amend section 37, as proposed, so the courts will rectify the register and maximize efficiency.<sup>243</sup>

Historically, there has not been a large number of cases where courts have refused to cancel have despite the mark being invalid. However, the increasing number of cases over the past decade supporting the missing-claim rule suggests that the missing-claim rule is a relatively new but rapidly spreading judicial requirement. Courts should not wait for the problem and its ill effects to grow. The proposals in this article would put them on the right track.

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<sup>241</sup> See *supra* Part V.C.

<sup>242</sup> See *supra* Part V.D.

<sup>243</sup> See *supra* note 237 and accompanying text.