

No. 18-2277-cv

In the United States Court of Appeals for the Second Circuit

I.O.B. REALTY, INC.

Plaintiff-Appellee,

v.

PATSY'S BRAND, INC.

Defendant-Appellant.

On Appeal from the United States District Court
for the Southern District of New York, No. 1:16-cv-7682
The Honorable Louis L. Stanton, U.S.D.J.

BRIEF AND SPECIAL APPENDIX OF APPELLANT PATSY'S BRAND, INC.

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Dated: March 19, 2019

CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1(a), Appellant Patsy's Brand, Inc., states, by and through undersigned counsel, that there are no publicly held corporations or other publicly held entities that own 10% or more of the stock of Appellant Patsy's Brand, Inc.

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I. PRELIMINARY STATEMENT

Appellant Patsy's Brand, Inc. ("Patsy's Brand") appeals from a judgment of the district court that dismissed a transparently meritless trademark infringement lawsuit brought against Patsy's Brand by plaintiff I.O.B. Realty, Inc. ("I.O.B."), yet entered relief in favor of I.O.B., the ostensible losing party. This ruling was plain error and should be reversed, and judgment expressly entered in favor of Patsy's Brand by this Court.

Ruling on cross motions for summary judgment, the district court found that the plaintiff, I.O.B., failed to justify going to trial on the issue of likelihood of confusion, the *sine qua non* of trademark infringement. But instead of merely dismissing the complaint, the district court entered an order granting relief requested by neither party, inexplicably invoking Section 37 of the Lanham Act, 15 U.S.C.A. § 1119, and inserting itself, *sua sponte*, into still-active *ex parte* appeals by I.O.B. in the Trademark Trial and Appeal Board ("TTAB") of the U.S. Patent and Trademark Office ("USPTO"), and ordering the USPTO to register trademarks refused by the USPTO under Section 2(d) as likely to be confused with a prior registration. Neither the issue being considered by the TTAB, nor that proceeding, were before the court.

In the litigation that **was** before the court, the court found the trademark infringement claim I.O.B. brought against Patsy's Brand meritless—yet it rewarded I.O.B. for filing it by granting I.O.B. an unasked-for, un-litigated, and unprecedented

shortcut through the USPTO's trademark examination and appeals process. By misapplying Section 37, awarding I.O.B. relief it never sought, and that it did not have jurisdiction to grant, the court erred as a legal matter and abused its discretion.

Considering this case's history, this Court should appreciate that no one is more frustrated than Patsy's Brand that this appeal should be necessary, because the district court's dismissal of I.O.B.'s lawsuit was the only possible outcome. It is undisputed that, in compliance with this Court's previous directions, and at considerable cost and expense, Patsy's Italian Restaurant, Inc. ("PIR"), the actual owner and operator of the restaurant in question, added "Italian Restaurant" to all of its signage, menus, and advertising. I.O.B. nonetheless claimed that, despite such measures, Patsy's Brand was infringing "its" trademark. There could never be infringement here, as a matter of law, under any conception of this case.

On *de novo* review, this Court should reverse the judgment of the district court, and, consistent with that court's determination that I.O.B., as plaintiff, failed to demonstrate the existence of a bona fide dispute of material fact concerning a likelihood of confusion as to I.O.B.'s trademark infringement claim (the only issue before it), enter summary judgment for Patsy's Brand. Patsy's Brand respectfully submits that, by doing so, this Court will end the vexatious litigation against Patsy's Brand by I.O.B. and its principal, Frank Brija, so that Patsy's Brand may operate its restaurant in peace.

II. JURISDICTIONAL STATEMENT

Patsy's Pizzeria sued Patsy's Brand for trademark infringement and false association under both the Lanham Act, 15 U.S.C.A. § 1125(a), and New York common law. (A016-17). The district court had subject matter jurisdiction over the Lanham Act claim pursuant to 15 U.S.C.A. § 1121(a) and 28 U.S.C.A. §§ 1331, 1338(a), and had supplemental jurisdiction over the New York common law claim, pursuant to 28 U.S.C.A. § 1367(a).¹ This Court has jurisdiction over this appeal pursuant to 28 U.S.C.A. § 1291. This is an appeal from a final judgment of the district court disposing of all claims, entered on July 2, 2018. (SPA001-002). Patsy's Brand filed a timely notice of appeal on July 31, 2018. (A010).

III. STATEMENT OF THE ISSUES FOR REVIEW

1. Whether Patsy's Brand is entitled to summary judgment dismissing I.O.B.'s claims for trademark infringement/false association under Section 43 of the Lanham Act, 15 U.S.C.A. § 1125(a), and New York common law?
2. Whether the Judgment entered by the district court properly adjudicated the parties' motions for summary judgment on I.O.B.'s trademark infringement

¹ As discussed, *infra*, jurisdiction became suspect as I.O.B.'s position crystallized during the litigation and it was confirmed on summary judgment that its real intent in this suit was, incredibly, to seek a declaration of abandonment from the district court and cancellation of Patsy's Brand's incontestable mark, under the pretext of a trademark infringement suit based on the use by Patsy's Brand of the very mark I.O.B. claimed it abandoned. (A163, 173-179); *Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259-60 (S.D.N.Y. 1960).

claims when it ordered the USPTO to grant U.S. Trademark Applications Serial Numbers 76/649,149 and 77/086,491 and register the mark PATSY’S PIZZERIA?

3. Whether, under the circumstances of this civil action for trademark infringement, the district court had authority and jurisdiction under Section 37 of the Lanham Act, 15 U.S.C.A. § 1119, to order the USPTO to grant applications 76/649,149 and 77/086,491 and register the mark PATSY’S PIZZERIA?

IV. STATEMENT OF THE CASE

1. Previous *Patsy’s* cases.

This Court is no stranger to the underlying dispute that resulted in the current appeal. Since 2006, Patsy’s Brand has owned the registered trademark PATSY’S OF NEW YORK®, U.S. Registration No. 3090551, which registration is incontestable. As a result of previous proceedings between Patsy’s Brand, I.O.B., and related parties, this Court concluded that in consideration of decades of “Patsy’s” history, Patsy’s Brand should identify its restaurant as “Patsy’s Italian Restaurant” and I.O.B. should identify its pizzeria as “Patsy’s Pizzeria.” For its part, Patsy’s Brand has rigorously adhered to this directive, departing from generations of use of the name “Patsy’s” alone; trademark licensee, PIR, added “Italian Restaurant” to its signage, menus, and advertising. (A058 ¶¶42-43, A844, 849-52, 878-912). Notwithstanding Patsy’s Brand’s compliance with this Court’s prior direction—which is, on the record, undisputed—in 2016, I.O.B. sued Patsy’s Brand

for infringement and false association under Section 1125(a) of the Lanham Act and New York common law.

An abbreviated summary of the prior proceedings referred to above between and related to I.O.B. and Patsy's Brand is important to understand this dispute.

A. *Patsy's I*

Years ago, the current parties and their principals litigated a trademark dispute concerning use of the mark "PATSY'S," ultimately resulting in this Court's decision in *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 220-21 (2d Cir. 2003) ("*Patsy's I*"). The Court observed:

The restaurants. For more than half a century, two restaurants that include "Patsy's" in their names have co-existed in New York City. The first, opened in 1933, is a pizzeria-style restaurant in East Harlem generally called "Patsy's Pizzeria" and sometimes called just "Patsy's." This restaurant, which we will refer to as "Patsy's Pizzeria," is currently owned by . . . I.O.B. . . .

The second restaurant opened in 1944. It is generally called "Patsy's Italian Restaurant" and sometimes just "Patsy's." This restaurant, which we will refer to as "Patsy's Italian Restaurant," is located in midtown Manhattan and offers a more complete Italian style menu than that of a typical pizzeria.

Id. at 212-13. As modified by the Second Circuit, Patsy's Brand was awarded a permanent injunction enjoining I.O.B. and its principals from producing, distributing, and selling sauces or other packaged goods bearing the name "PATSY'S" or using the trade dress of Patsy's Brand. *Id.* at 220-21; *see also Patsy's*

Brand, Inc. v. I.O.B. Realty, Inc., No. 99-CIV-10175, 2002 WL 1988200, at *1 (S.D.N.Y. Aug. 27, 2002) (injunction). Going forward, I.O.B. was permitted to include on any packaged foods, in no larger than 10-point uniform typeface, and as a minor component of the label, a statement that the product came from the operators of “Patsy’s Pizzeria.” *Patsy’s I*, 317 F.3d at 220-21, 222-23. In modifying the district court’s injunction as to the use of the mark by I.O.B. only as to identification of the brick and mortar pizzeria, the Second Circuit advised the parties:

Although we conclude that the injunction should be confined to the marketing of pasta sauce and food products and should not reach the Defendants’ restaurant business, **we suggest to both sides that henceforth they would be well advised to minimize the risk of confusion by identifying their restaurants by the complete names: “Patsy’s Italian Restaurant” and “Patsy’s Pizzeria.”**

Id. at 221 (emphasis added).

During the course of the *Patsy’s I* litigation, I.O.B.’s principal, Frank Brija, and I.O.B.’s counsel at the time were severely sanctioned and admonished for grossly fraudulent litigation conduct, who were also found to be in contempt of court for violating the injunction. *Id.* at 222. The underlying misconduct of I.O.B. and its principals is well-documented by the district court. *See Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, 99-CIV-10175 JSM, 2001 WL 170672, at *14 (S.D.N.Y. Feb. 21, 2001) (recognizing “I.O.B. submitted a fabricated document, made false assertions through counsel, and its principal, Mr. Brija, swore falsely on more than one occasion that

he had created I.O.B. sauce labels in 1993 and 1994” and directing I.O.B. to show cause why sanctions should not be imposed); *Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, No. 99-CIV-10175, 2001 WL 1154669, at *2 (S.D.N.Y. Oct. 1, 2001) (holding Mr. Brija in contempt of court, deeming the case “exceptional” under the Lanham Act, and sanctioning him in the amount of \$250,000); *Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, No. 99-CIV-10175, 2002 WL 59434, at *1-10 (S.D.N.Y. Jan. 16, 2002) (sanctioning I.O.B.’s former counsel for submission of a false affidavit from Mr. Brija); *Patsy’s Brand*, 2002 WL 1988200, at *1-3 (S.D.N.Y. Aug. 27, 2002) (holding I.O.B. and principals in contempt and fining them over \$140,000 for violating injunction).

B. *Patsy’s II* and *Patsy’s III*

Additional trademark litigation followed *Patsy’s I*, resulting in a jury verdict and the district court’s post-trial opinion in *Patsy’s Italian Rest., Inc. v. Banas*, 575 F. Supp. 2d 427 (E.D.N.Y. 2008) (“*Patsy’s II*”), and ultimately in this Court’s decision in *Patsy’s Italian Rest., Inc. v. Banas*, 658 F.3d 254 (2d Cir. 2011) (“*Patsy’s III*”). Undeterred by the repeated and substantial sanctions entered in *Patsy’s I*—which ultimately had no effect on I.O.B.’s intention to undercut the ability of Patsy’s Brand to benefit from its generations-old trademark—I.O.B. repeated the course of fraudulent and unethical conduct described in *Patsy’s I* in *Patsy’s II*. See 575 F. Supp. 2d at 448-50 (observing and affirming the jury verdict that found Plaintiffs

proved clearly and convincingly that I.O.B. and its principals fraudulently procured its ‘574 trademark), *aff’d*, *Patsy’s III*, 658 F.3d at 271 (affirming and recognizing “evidence of fraud in I.O.B. Realty’s statement that it had continuously used the mark for restaurant services since 1933”).

Again noting the well-documented history of Patsy’s Italian Restaurant and Patsy’s Pizzeria and the litigation, *see id.* at 259-62, this Court’s decision affirming the jury verdict and injunctive relief below stated:

Having allowed the consumer confusion to develop, no party can now complain about the district court’s attempt to minimize the confusion. This is particularly true given our earlier admonition to the parties that **“both sides . . . would be well advised to minimize the risk of confusion by identifying their restaurants by the complete names: “Patsy’s Italian Restaurant” and “Patsy’s Pizzeria.”**

Id. at 275 (emphasis added; quoting *Patsy’s I*, 317 F.3d at 221). Practically speaking, and despite the repeated finding of fraudulent conduct on the part of I.O.B., it was rewarded with an invaluable litigation outcome: Under *Patsy’s II*, both parties were enjoined from “using the mark PATSY’S alone” in advertising, signs, menus and related items. *Patsy’s III*, 658 F.3d at 262.

C. *Patsy’s IV* and *Patsy’s V*

In late October 2013, I.O.B. and its affiliates commenced contempt proceedings against Patsy’s Brand and PIR based on what they claimed were violations of the injunctions and decisions in the prior proceedings, forcing Patsy’s

Brand and PIR to file cross-motions for contempt. *Patsy’s Italian Rest., Inc. v. Banas*, No. 06-CV-0729 (RER), 2015 WL 9694666, at *1 (E.D.N.Y. May 15, 2015) (“*Patsy’s IV*”) (the Special Master’s Report). After issuing detailed findings, Special Master Aaron Warshaw recommended that “the parties’ motions for contempt, sanctions, and other relief be denied in full,” *id.* at *3-8, which the district court adopted, save for one modification. *Patsy’s Italian Rest., Inc. v. Banas*, No. 06-CV-0729 (RER), 2016 WL 146461, at *1 (E.D.N.Y. Jan. 12, 2016). I.O.B. and its affiliate appealed, and this Court affirmed. *Patsy’s Italian Rest., Inc. v. Patsy’s Inc.*, 676 F. App’x 24, 26 (2d Cir. 2017) (summary order) (“*Patsy’s V*”).

2. The present infringement lawsuit

A. Stipulated background facts.²

Since May 2006, Patsy’s Brand has owned U.S. Trademark Registration No. 3,090,551 for the trademark PATSY’S OF NEW YORK® for restaurant services (the “551 Mark”), which Patsy’s Brand licenses to non-party PIR. (A027, A052 ¶11. A054 ¶22). In August 2016, the USPTO renewed the ‘551 Mark. (A057-58 ¶38). Nothing in the prior decisions questioned the validity of these registrations.

² The facts are derived from the Stipulated Facts submitted by the parties on their motions for summary judgment, (A067-080), as directed by the district court. (ECF 49). Despite Patsy’s Brand’s efforts in working with I.O.B. to create this document, I.O.B. filed a Rule 56.1 statement of alleged undisputed facts, to which Patsy’s Brand responded. (A189-207).

I.O.B. does **not** own any federal trademark or service mark registrations. (A053 ¶17). In October 2005, I.O.B. applied to register PATSY’S PIZZERIA for restaurant services, Serial No. 76/649,149 (the “149 Application”) and in June 2007 it applied to register PATSY’S PIZZERIA for franchising services, Serial No. 77/086,491 (the “491 Application”). (A054 ¶25, A056 ¶34). Both applications were refused registration in mid-2012 by the USPTO pursuant to Section 2(d) of the Lanham Act because of, among other things, a likelihood of confusion between the proposed registrations and the ‘551 Mark, i.e., PATSY’S OF NEW YORK®. (A054-056 ¶¶26-31, 34). The registration proceedings had been suspended at various points, during which I.O.B. expressly argued that there was no likelihood of confusion. (A055-056 ¶¶31, 34). Patsy’s Brand was not a party to these proceedings.

In 2013, I.O.B. appealed both refusals to register in the USPTO Trademark Trial and Appeal Board (“TTAB”), arguing there was no likelihood of confusion between PATSY’S PIZZERIA and PATSY’S OF NEW YORK. (A056 ¶¶32, 34). I.O.B. voluntarily suspended both of its *ex parte* TTAB appeals when it began its unsuccessful attempt to seek contempt sanctions against Patsy’s Brand in 2013. *Id.* They remain suspended. Of course, Patsy’s Brand is not a party to the *ex parte* TTAB appeals, either.

B. I.O.B.’s baseless infringement lawsuit.

With its appeals still pending in the TTAB, on September 30, 2016, the ever-litigious I.O.B. filed the action from which Patsy’s Brand takes this appeal, a trademark infringement suit against Patsy’s Brand in the Southern District of New York. *See* Complaint (A011-019). I.O.B. sought relief against Patsy’s Brand for violation of the Lanham Act, 15 U.S.C.A. § 1125(a) (“false association”) and New York common law, by virtue of Patsy’s Brand’s **registration** of PATSY’S OF NEW YORK®. (A014-019). Instead of seeking to cancel the incontestable ‘551 Mark, registered in 2006, I.O.B. argued that the mere maintenance of a trademark registration allowed by the USPTO, as provided under the Lanham Act, constituted “use” in commerce of the mark unlawfully “blocked” I.O.B.’s two applications to register the PATSY’S PIZZERIA mark. (A014-016 ¶¶17, 20-22).

I.O.B.’s complaint included a standard prayer for relief in an infringement and unfair competition lawsuit: a judgment enjoining Patsy’s Brand from using its own registered PATSY’S OF NEW YORK® mark, destruction of all materials bearing the mark, compensatory damages, punitive damages, costs, attorneys’ fees, and interest, as well as cancellation of the PATSY’S OF NEW YORK® registration. The Complaint did **not**, however, seek **any** relief relating to I.O.B.’s pending ‘149 and ‘491 Applications. (A017-019). In fact, the Form AO 120 that I.O.B. filed with the district court and sent to the USPTO when it filed this suit identified the PATSY’S

OF NEW YORK® mark as the only one at issue in the case. (A043; *see also* SPA005).

Patsy's Brand moved under Fed. R. Civ. P. 12(b)(6) for dismissal of the Complaint for failure to state a claim, which the district court denied. *See I.O.B. Realty, Inc. v. Patsy's Brand, Inc.*, No. 16-cv-7682 (LLS), 2017 WL 2168815 (S.D.N.Y. May 16, 2017). Patsy's Brand then filed its Answer, denying the allegations and praying, among other things, that the Complaint and claims therein be dismissed with prejudice. (A044-050).

After discovery was completed, both parties prepared to file motions for summary judgment on I.O.B.'s claims, agreeing to and submitting stipulated facts. (A051-063; *see also* Dkt. No. 49). In addition to the above-cited stipulated facts concerning the status of the parties' marks and proceedings in the USPTO and TTAB, Patsy's Brand and I.O.B. also stipulated to the following:

- “Neither party produced evidence of actual confusion between the marks PATSY’S PIZZERIA and PATSY’S OF NEW YORK.”
- “Neither party entered or otherwise produced survey evidence concerning a likelihood of confusion between the marks PATSY’S PIZZERIA and PATSY’S OF NEW YORK.”
- “Patsy’s Italian Restaurant, Inc., uses the signs and menus as shown in Exhibit 3.”
- “Patsy’s Brand, Inc. or Patsy’s Italian Restaurant, Inc., uses the advertising and website as shown in Exhibit 4.”

(A058). These stipulations reflected the fact that, in accordance with the direction of the Second Circuit, *see Patsy's III*, 658 F.3d at 275; *Patsy's I*, 317 F.3d at 221, the licensee of Patsy's Brand, PIR, utilizes signage and advertising with the descriptive words "Italian Restaurant." *See* above and Exhibits 3 and 4 (A062-063; *see also* A844, 849-52, 878-912). For its part, I.O.B. was also adamant that the phrase "Italian Restaurant" was, at all relevant times, used by Patsy's Brand in conjunction with its registered trademark. (A207 ¶¶66; *see also* A204-07 ¶¶54-65).

The parties filed cross motions for summary judgment on May 17, 2018. (A064, 155). I.O.B.'s Notice of Motion, however, contained a formulation that was entirely new to the case, asking the district court to declare that "Defendants use a six-word mark [i.e., 'Patsy's Italian Restaurant of New York'] and abandoned the four-word mark PATSY'S OF NEW YORK" or, "[i]n the alternative," that "Defendants use and/or authorization of the use of the four-word mark PATSY'S OF NEW YORK is confusingly similar to, and results in infringement of, Patsy's Pizzeria's mark PATSY'S PIZZERIA." (A155).

Significantly, however, and despite this attempted sleight of hand, I.O.B. made no request, from the pleadings through its summary judgment submissions, relating to its pending and suspended '149 and '491 Applications for PATSY'S PIZZERIA mark, whether based on Section 37 of the Lanham Act, 15 U.S.C.A. § 1119 ("Section 37") or other authority. (A011-019, 155-187, 982-1015, 1058-1079).

I.O.B. had no basis for doing so in its motion for summary judgment, of course, because at no point was relief under Section 37 pleaded or identified by anyone—or even raised by the court—as a potential subject of discovery or motion practice.

3. The Judgment

On July 2, 2018, just one week after motion briefing was complete, the district court entered a two-page judgment (the “Judgment”). (SPA001-002). The Judgment, which was not accompanied or followed by the filing of an opinion, begins with the preface that the parties and the USPTO are presently entangled in a dispute concerning the relationship between the trademarks PATSY’S OF NEW YORK and PATSY’S PIZZERIA, the latter of which the court noted was being refused registration by the USPTO. (SPA001). The district court then made two findings:

1. There is no likelihood of confusion between PATSY’S OF NEW YORK and PATSY’S PIZZERIA. Except for the name Patsy’s, no word in one appears in the other. It is stipulated that “Neither party produced evidence of actual confusion” (Stipulated Fact 40) and “Neither party entered or otherwise produced survey evidence concerning a likelihood of confusion” (Stipulated Fact 41) between the two marks;
2. At various times all parties have recognized and asserted the dissimilarity between the marks and the unlikelihood of confusion[.]

(SPA001-002). By these two findings, the district court determined, correctly, that I.O.B. failed to meet its burden to demonstrate the existence of a bona fide dispute of material fact in response to a motion for summary judgment. The district court

would thus have been expected simply to enter judgment for Patsy's Brand and dismiss the Complaint. *See id.* It did not, however.

Instead, the district court ordered the case "closed" and decreed, unbidden by either side, that, "pursuant to Section 37 of the Lanham Act, 15 U.S.C.A. § 1119," the USPTO was to disregard the pendency of I.O.B.'s *ex parte* TTAB appeal of the refusal to register Patsy's Pizzeria's '149 and '491 Applications, and simply enter PATSY'S PIZZERIA as I.O.B.'s trademark for pizzeria and franchising services onto the Principle Register in a stunning, unilateral assertion of authority. (SPA002).

The district court's *sua sponte* invocation of Section 37 as grounds for providing relief requested by no one and absent any opportunity for notice and a hearing for the affected parties did not only bypass the USPTO's process for adjudicating appeals from refusals to register. It also unilaterally, and without precedent, granted a judicial exemption to an unsuccessful litigant in a trademark infringement lawsuit from the statutory 30-day opposition period. In so doing, the court simply disregarded the determination by Congress that any party with standing—not only Patsy's Brand—be given the opportunity to oppose registration of a trademark allowed by the USPTO on any number of statutory grounds following publication of the mark for opposition. *See* 15 U.S.C. § 1063; 37 C.F.R §§ 2.101-2.107; Trademark Trial and Appeal Board Manual of Procedure ("TBMP") § 303.

Viewed another way, despite acknowledging the legal invalidity of I.O.B.’s claim that the USPTO’s registration of PATSY’S OF NEW YORK® constituted a tortious, actionable “use in commerce” by Patsy’s Brand, the district court awarded relief in favor of I.O.B.—the party that filed the claims the same court found to be meritless. And the court did so by not only effecting a judicial veto over the trademark registration process established by Congress (*see* SPA001-002), but despite the fact that at no time did either party, much less the USPTO itself, submit any argument or request for relief concerning the marks ordered to be registered by the district court. Indeed, acting as it was without reference to the record before it, the district court made no substantive findings on which I.O.B.’s entitlement to trademark registrations could be based. Nor did it explain its grounds for presuming to second-guess the USPTO on a matter still before it. Unfortunately, in an apparent effort to slice through what it perceived as a Gordian Knot, the district court only tangled matters up further.

Patsy’s Brand filed a timely Notice of Appeal from the Judgment. (A010). I.O.B. did **not** cross-appeal.

4. This Court denies the Appellee’s motion to dismiss the appeal.

On September 7, 2018, I.O.B. moved to dismiss this appeal, contending that Patsy’s Brand was not “aggrieved” by the Judgment and, therefore, had no standing to appeal. *See* I.O.B. Motion Brief (2d Cir. Dkt. No. 37). I.O.B. admitted that the

“district court effectively found that [it] could not prevail on its counts.” *Id.* at 6. I.O.B. acknowledged, in fact, that the “Judgment did not find in favor of [I.O.B.] on its allegations of infringement” because the district court held there was no likelihood of confusion. *Id.* at 7. Patsy’s Brand sought a ruling adverse to I.O.B.’s infringement claims, and, I.O.B. argued, “[t]hat is precisely what has happened.” *Id.* at 6. Patsy’s Brand opposed the motion, contending it was certainly aggrieved by the essentially unrelated adverse Judgment granting relief to I.O.B. *See* Patsy’s Brand Motion Brief at 7-16 (2d Cir. Dkt. No. 44). This Court denied I.O.B.’s motion to dismiss on January 16, 2019. (2d Cir. Dkt. No. 59).

V. SUMMARY OF THE ARGUMENT

By all indications, I.O.B. filed this action against Patsy’s Brand, improperly, as a mechanism to do one of two things: Either, by losing, to generate “admissions” concerning Patsy’s Brands use of the incontestable ‘551 Mark for use in a renewed attempt to register its claimed PATSY’S PIZZERIA marks or, in the unlikely event that it prevailed in this action, to circumvent the USPTO’s refusal to register PATSY’S PIZZERIA based on a likelihood of confusion with Patsy’s Brand’s incontestable mark, PATSY’S OF NEW YORK®. Either way, while the intent was to leverage the prosecution of obviously meritless litigation in a United States district court to achieve a result in the USPTO, at no time did I.O.B. actually request that result in this action. When the district court nonetheless ordered that relief directly,

it did so (a) without giving Patsy's Brand the opportunity to be heard in opposition to it, (b) in the absence of jurisdiction over the USPTO's pending disposition of the matter, and (c) contrary to the Congressional scheme for protecting trademarks and, in particular, establishing procedures for trademark registration.

Patsy's Brand has at all times complied unreservedly with this Court's admonition to identify itself as an "Italian Restaurant," and its signage, menus, and advertising read as such. Nothing, however, in this Court's past rulings has touched on Patsy's Brand's incontestable '551 Mark, PATSY'S OF NEW YORK®. If I.O.B. believed it would be damaged by the registration of the '551 Mark, it could have opposed its registration during the opposition period. It did not. If I.O.B. believed it would be damaged by the continued maintenance of that registration, it could have filed a petition or a district court action explicitly seeking cancellation of the '551 Mark. It did not. Instead, it brought a frivolous trademark infringement action, claiming, contrary to black-letter law, that the mere registration of the '551 Mark was not only an unlawful, infringing use in commerce of a trademark by Patsy's Brand, but also that it was the proximate cause of injury to I.O.B.

The district court's eventual acknowledgment that this claim could not be sustained should have ended with a simple dismissal. It erred by going beyond this and granting I.O.B. relief it neither requested nor had a legal entitlement to obtain. And while it is hardly surprising that the USPTO has refused to register the marks

applied for by I.O.B. based on the longstanding and presumptively valid incontestable '551 Mark, I.O.B.'s claim against Patsy's Brand for trademark infringement was not the forum for I.O.B. to seek vindication on that score. Patsy's Brand, obviously, does not control the USPTO, and has not even opposed I.O.B.'s registration—which can only happen if the USPTO allows I.O.B.'s applications and publishes them for opposition.

I.O.B.'s claim, therefore, that its disappointment over registration is the legally cognizable result of Patsy's Brand's "use in commerce," and that that use takes the form of the continued registration by Patsy's Brand of PATSY'S NEW YORK®, is inscrutable. More importantly, if accepted, this argument would undermine the entire trademark registration regime. Furthermore, cancellation of the '551 Mark on the ground of abandonment—the putative premise of I.O.B.'s lawsuit—was never justified, and indeed the district court made no findings consistent with a finding of abandonment.

Moreover, because I.O.B. declined to cross-appeal the district court's ruling, it cannot seek a determination of abandonment here, even upon a *sua sponte* review. In any event, the factual record does not support such a finding, and the district court was right to implicitly decline, albeit *sub silentio*, I.O.B.'s request to find that Patsy's abandoned the PATSY'S OF NEW YORK® trademark.

After properly ruling that there was no triable issue of fact on I.O.B.'s affirmative case for infringement, however, the district erred when it granted relief sought by neither party, and regarding which Patsy's Brand, the adversely affected party, had no notice or opportunity to be heard. Despite its citation to Section 37 of the Lanham Act, the district court's Judgment, if not reversed, would stand on its head the statutory scheme established by Congress for registering trademarks, and for appealing denials of applications to register trademarks. By asserting for itself the power to intervene in pending appeals in the TTAB, and to disregard the 30-day opposition period for registration required under the Lanham Act, the district court committed a serious abuse of discretion.

On *de novo* review of summary judgment, this Court should vacate the Judgment, enter summary judgment for Patsy's Brand, and dismiss the Complaint. Alternatively, if this Court finds that the Judgment, as it stands, does suffice as dismissal of I.O.B.'s claims in favor of Patsy's Brand, the Court can simply modify the Judgment by expressly entering summary judgment for Patsy's Brand and deleting the registration decree, which has nothing to do with this case and is outside of the district court's jurisdiction. There never was, and still is not, anything to try in this case.

VI. ARGUMENT

1. Standard of Review.

A court “should not be reluctant to grant summary judgment in appropriate cases.” *Prudent Pub. Co. v. Myron Mfg. Corp.*, 722 F. Supp. 17, 21 (S.D.N.Y. 1989). “One of the principal purposes of the summary judgment rule is to isolate and dispose of factually insupportable claims.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). The “salutary purposes of summary judgment” are “avoiding protracted, expensive and harassing trials.” *Abdu-Brisson v. Delta Air Lines, Inc.*, 239 F.3d 456, 466 (2d Cir. 2001). This Court reviews *de novo* the district court’s disposition of a case on summary judgment, “construing the evidence in the light most favorable to the non-moving party and drawing all reasonable inferences in its favor.” *U.S. Fid. & Guar. Co. v. Fendi Adele S.R.L.*, 823 F.3d 146, 149 (2d Cir. 2016) (citation omitted).

Similarly, this Court reviews a district court’s determination to grant relief under 15 U.S.C.A. § 1119 for an abuse of discretion. *Patsy’s III*, 658 F.3d at 264 (citing *Empresa Cubana del Tabaco v. Culbro Corp.*, 541 F.3d 476, 478 (2d Cir. 2008)). Under both of the foregoing standards, this Court reviews questions of law *de novo*, which includes statutory interpretation and the existence of subject matter jurisdiction. See *L-3 Commc’ns Corp. v. OSI Sys., Inc.*, 607 F.3d 24, 27 (2d Cir. 2010); *Oscar Gruss & Son, Inc. v. Hollander*, 337 F.3d 186, 193 (2d Cir. 2003).

2. Patsy’s Brand was entitled to summary judgment dismissing I.O.B.’s baseless Lanham Act and New York common law claims.

“To succeed in a Lanham Act suit for trademark infringement, a plaintiff has two obstacles to overcome: the plaintiff must prove [1] that its mark is entitled to protection and, [2] even more important, that the defendant’s use of its own mark will likely cause confusion with plaintiff’s mark.” *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 381 (2d Cir. 2005) (citing *Gruner + Jahr USA Publ’g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir.1993)). On the second prong, a likelihood of confusion is determined by applying the well-known factors set out in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961). *Id.* at 384.

“It is well-established that the elements necessary to prevail on causes of action for trademark infringement and unfair competition under New York common law ‘mirror the Lanham Act claims.’” *Gym Door Repairs, Inc. v. Young Equip. Sales, Inc.*, 206 F. Supp. 3d 869, 901 (S.D.N.Y. 2016) (quoting *Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F. Supp. 2d 448, 456 (S.D.N.Y. 2005)). In contrast to a Lanham act claim, a claim for New York unfair competition requires proof that a defendant acted in “bad faith.” *Id.* (citing *Lorillard*, 378 F. Supp. 2d at 456).

Of course, the burden of proof to prove trademark infringement is squarely on the plaintiff. *Star Indus.*, 412 F.3d at 381; *see also Audi AG v. Shokan Coachworks, Inc.*, 592 F. Supp. 2d 246, 271 (N.D.N.Y. 2008) (“Plaintiffs bear the burden of proving both elements of their trademark infringement claims.”).

A. The district court should have simply awarded summary judgment to Patsy’s Brand, based on its own findings that I.O.B. failed to prove a likelihood of confusion.

The district court concluded that I.O.B. failed to meet its burden, as plaintiff, to demonstrate the existence of a triable fact issue on the element of likelihood of confusion. (SPA001-002). I.O.B., in fact, agreed with and advocated this position in its motion to dismiss this appeal. *See* I.O.B. Motion Brief at 5-7 (2d Cir. Dkt. No. 37). Based on this dispositive finding, the district court should have entered summary judgment in favor of Patsy’s Brand, dismissed I.O.B.’s trademark infringement suit, and stopped there. Erroneously, it did not.

I.O.B.’s infringement claim was premised entirely on an incoherent conception of “use in commerce” by Patsy’s Brand. An alleged infringer’s use in commerce of a trademark is, of course, a prerequisite to a trademark infringement claim under 15 U.S.C.A. § 1125(a), which is directed at “[a]ny person who, on or in connection with any goods or services, or any container for goods, **uses in commerce** any word, term, name, symbol, or device, or any combination thereof” (emphasis added)). I.O.B. argued that by merely maintaining the ‘551 Mark on the Principal Register, Patsy’s Brand used the mark in commerce. But it is black-letter law that registration of a trademark, standing alone, “is insufficient to constitute a use in commerce as required to state a claim under the Lanham Act.” *Marshall Tucker Band, Inc. v. M T Indus., Inc.*, 238 F. Supp. 3d 759, 764-65 (D.S.C.

2017); *see also Kusek v. Family Circle, Inc.*, 894 F. Supp. 522, 532 (D. Mass. 1995) (holding “mere registration does not create the mark nor amount to ‘use’ of the mark”); 15 U.S.C.A. § 1127 (defining “use in commerce” to mean “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark”); *Omega S.A. v. Omega Eng’g, Inc.*, 396 F. Supp. 2d 166, 174 (D. Conn. 2005). Despite this clear precedent, the fallacious concept that trademark registration constitutes use in commerce was the entire premise of I.O.B.’s claim.

The mere fact that Patsy’s brand has registered PATSY’S OF NEW YORK® is insufficient, as a matter of law, to prove an infringement claim, absent evidence it was actually being used in commerce. Separate and apart from the question of infringement of any right claimed by I.O.B., under the very unique circumstances of this case, use could only be shown by evidence that Patsy actually employed this phrase in commerce **alone** and without the descriptive words “Italian Restaurant,” as this Court twice directed. *See Marshall Tucker Band*, 238 F. Supp. 3d at 764-65; *Omega S.A.*, 396 F. Supp. 2d at 174. (*See* A058, 062-063, A207 ¶¶66, A844, 849-52, 878-912). On summary judgment, I.O.B. came forward with no evidence of actual use in commerce by Patsy’s Brand of the ’551 Mark without the additional descriptive words “Italian Restaurant,” thus failing to meet its burden under Fed. R. Civ. 56 to prove infringement by Patsy’s Brand. *Star Indus.*, 412 F.3d at 381. Indeed, I.O.B. adamantly asserted that Patsy’s Brand and PIR always use the words

“Italian Restaurant” in conjunction with its registered trademark. (A207 ¶¶66; *see also* A204-07 ¶¶54-65). Patsy’s Brand was, therefore, entitled to summary judgment, as a matter of trademark law.

I.O.B. moved for summary judgment seeking, first and foremost, for the district court to declare that Patsy’s Brand abandoned its ‘551 Mark. (A155). From a purely logical standpoint, of course, if the ‘551 Mark had indeed been **abandoned** by Patsy’s Brand, that would mean, by definition that the mark was **not** being used in commerce and that Patsy’s Brand had no intention to resume its use. *See Stetson v. Howard D. Wolf & Assocs.*, 955 F.2d 847, 850 (2d Cir. 1992) (two elements of abandonment). This would, axiomatically, render I.O.B.’s infringement claims a nullity and entitle Patsy’s Brand to summary judgment. Presumably, however, I.O.B.’s “clever” strategy here was to institute an obviously meritless infringement claim by which it would force Patsy’s Brand to assert affirmatively that it was **not** making use of the mark, and thereby generate a record on which I.O.B. could (it believed) base a future petition for cancellation of the ‘551 Mark based on abandonment. This strategy, however, was procedurally and legally inappropriate and bound to fail.

To hold that infringement could even be possible under the foregoing circumstances would be ludicrous, and for this reason Patsy’s Brand was entitled to summary judgment, as a matter of law, dismissing I.O.B.’s trademark infringement

claim. That dismissal—in full, and without additional unbidden “relief” unrelated to the claims before it—is what the district court should have ordered here.

B. The existence of the registered mark is not the proximate cause of any harm to I.O.B.

Patsy’s Brand was also entitled to summary judgment because I.O.B. failed to demonstrate the existence of a material dispute suitable for trial regarding its burden of proving that the mere existence of the registered mark PATSY’S OF NEW YORK® was the proximate cause of any cognizable injury to I.O.B.

In *Lexmark International, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 133 (2014), the Supreme Court held that “a plaintiff suing under § 1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant’s advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff.” Only a plaintiff “whose injuries are proximately caused by violations of the statute” may bring that “statutory cause of action.” *Id.* at 132. The proximate cause requirement reflects the reality that courts do not exist to remedy “every conceivable harm that can be traced to alleged wrongdoing.” *Id.* I.O.B. came forward with no proof of any such harm in its summary judgment submissions; nor could it. Although *Lexmark* was a false advertising case, the vast weight of authority holds that the proximate cause requirement applies to all claims under § 1125(a), including “false association” claims under § 1125(a)(1)(A), the type of claim brought here by I.O.B.

See, e.g., Belmora LLC v. Bayer Consumer Care AG, 819 F.3d 697, 711-12 (4th Cir. 2016), *cert. denied*, ___ U.S. ___, 137 S. Ct. 1202 (2017); *UHS of Delaware, Inc. v. United Health Servs., Inc.*, 227 F. Supp. 3d 381, 403 (M.D. Pa. 2016) (collecting cases requiring *Lexmark* proximate cause, finding plaintiff offered no proof of proximately caused harm in support of its Section 1125(a) false association claim, and granting defendant’s motion for summary judgment on that claim and equivalent state law claim); *Springboards to Educ., Inc. v. Kipp Found.*, 325 F. Supp. 3d 704, 712, 714-15 (N.D. Tex. 2018) (applying *Lexmark* proximate cause element to false designation claim).

Responding to the summary judgment motion by Patsy’s Brand, I.O.B. failed to come forward with record evidence sufficient to establish a genuine dispute of material fact regarding its claim that Patsy’s Brand proximately caused any economic harm to I.O.B. Instead, it offered its “continued existence of a lawful trademark registration” theory of damages, to wit: the “continued existence of the Patsy’s Brand registration for the mark PATSY’S OF NEW YORK® blocks two pending applications of I.O.B. at the Trademark Office from being allowed registrations for the mark PATSY’S PIZZERIA,” which in turn harms I.O.B.’s “ability to acquire franchisees and expand the franchising of its pizzerias.” (A014-015 ¶17); *see also* (A1005-06).

Besides failing even to come forward with evidence in support of that far-fetched claim, I.O.B.’s “creative” theory of harm was a legal non-starter because, as noted above, “[r]egistration of a trademark, standing alone, is insufficient to constitute a use in commerce as required to state a claim under the Lanham Act.” *Marshall Tucker Band, Inc.*, 238 F. Supp. 3d at 764-65; *Kusek*, 894 F. Supp. at 532; *see also Macia v. Microsoft Corp.*, 152 F. Supp. 2d 535, 539 (D. Vt. 2001) (party cannot be subject to suit for trademark infringement under section 1125(a) based on trademark registration filings; collecting cases). I.O.B.’s theory of “use,” of course, would open the door to any disappointed trademark registration applicant to sue holders of earlier-registered marks for “trademark infringement,” completely eviscerating the procedure for examining, publishing for opposition, and appealing the refusal or granting of trademark registrations provided by Congress under the Lanham Act.

Any conceivable alleged injury to I.O.B. arising from its inability to register a trademark was caused by the USPTO, which is refusing to register the PATSY’S PIZZERIA mark. (A070-072 ¶¶25-31, 34). Patsy’s Brand is not the USPTO and does not control the USPTO—though if, after an allowance by the USPTO of I.O.B.’s registrations, Patsy’s Brand wished to oppose I.O.B.’s registration in an *inter partes* proceeding, Patsy’s Brand would have every right to do so. As it happens, Patsy’s Brand is, of course, not even a party to those two *ex parte*

proceedings in the USPTO for the ‘149 and ‘491 Applications, which were and remain suspended by the USPTO. The suggestion, however, that I.O.B. should be able to circumvent exposure to *inter partes* challenges by all interested parties with standing by having a court simply “award” it a registration—which is what the district court’s Judgment amounts to—is untenable. It is something beyond untenable that I.O.B. should be bestowed with such an “award” by virtue of failing to sustain its burden of proof in the litigation that generated that result.

Indeed, under the Lanham Act’s statutory scheme, when the USPTO refused registration of I.O.B.’s mark under Section 2(d) because of a likelihood of confusion with the ‘551 Mark, I.O.B.’s remedy was to appeal to the TTAB. 15 U.S.C.A. § 1070; TBMP § 1201.01. If I.O.B. had completed that process, which it has not, and was still dissatisfied with the TTAB’s registration ruling, it can either appeal to the U.S. Court of Appeals for the Federal Circuit or file a civil action in district court seeking *de novo* review of the TTAB’s refusal to register. *Goya Foods, Inc. v. Tropicana Prod., Inc.*, 846 F.2d 848, 852 (2d Cir. 1988) (citing 15 U.S.C.A. §§ 1071(a)(1), (b)(1)); TBMP § 1219.02. Suing Patsy’s Brand for infringement in order to “knock off” the source of the TTAB’s 2(d) determination is not only unavailable as a method to overcome such a refusal, but constitutes no less than an abuse of the judicial system, which the district court’s Judgment rewards. I.O.B.’s tactics were further designed to harass and cause unnecessary and substantial litigation expense

to Patsy's Brand. The district court erred by endorsing such conduct even as it acknowledged I.O.B.'s failure to prove its own case.

Moreover, the claim that would-be franchisees of Patsy's Pizzeria would not open a franchise because I.O.B. did not have a registered trademark is not an injury proximately caused by Patsy's Brand. This Court previously recognized that "the lack of a federal registration does not prevent Patsy's Italian Restaurant or Patsy's Pizzeria from expanding as they so desire" and that lack of a registered mark "simply precludes [them] from utilizing the statutory presumptions and other benefits conferred to a mark owner through federal registration." *Patsy's III*, 658 F.3d at 267. That a potential franchisee may misunderstand trademark law and decline to enter into a franchise agreement because of the absence of a registered mark is not harm proximately caused by any conduct of Patsy's Brand. In fact, I.O.B. boasts that it has franchised twelve (12) locations without a registered mark. (A051-052 ¶¶2-9; A194 ¶7). Obviously some franchisees get it.

In sum, I.O.B. failed to proffer any evidence of harm proximately caused by Patsy's Brand, and Patsy's Brand was thus entitled to summary judgment.

3. This Court should vacate the Judgment granting relief to I.O.B. under Section 37 as an abuse of discretion.

The Judgment also embodies an abuse of discretion by the district court because of its misapplication of Section 37 of the Lanham Act, 15 U.S.C.A. § 1119, including with respect to the district court's jurisdiction even to invoke it here.

A. The court had no authority or jurisdiction here under Section 37 to order the USPTO to register I.O.B.’s mark.

The preface of the Judgment begins by stating, inexplicably, that the “disputes in which [I.O.B. and Patsy’s Brand] and the [“USPTO”] are at present entangled” concern the relationship “between the trademark PATSY’S OF NEW YORK for restaurant services and the trademark PATSY’S PIZZERIA which is being denied registration for pizzeria services and for franchising services” by the USPTO based on its determination that it is “sufficiently similar” to the mark PATSY’S OF NEW YORK®. (SPA001-002). This statement is simply incorrect: Patsy’s Brand is **not** a party to or otherwise “entangled with” with I.O.B.’s suspended ‘149 and ‘491 Applications, which are before the TTAB on *ex parte* appeal—that is, a proceeding involving only the USPTO, I.O.B. as applicant, and no other party. (A072 ¶¶32, 34).

The Judgment then states that “in reality,” based on stipulated facts, there is no likelihood of confusion between the two marks, and that both parties recognized or asserted a dissimilarity and the unlikelihood of confusion between the marks. (SPA001-002). This is true: for purposes of this litigation, in which I.O.B. had the burden of proving a likelihood of confusion, Patsy’s Brand stipulated that there was **no evidence to support I.O.B.’s claims**. The stipulation was not made in connection with or otherwise meant to have any effect on a TTAB *ex parte* proceeding in which Patsy’s Brand has no involvement whatsoever.

Given, therefore, the district court’s recognition that likelihood of confusion is an element of I.O.B.’s claims, and that there was no proof of it, the district court’s sole task under the law was to enter summary judgment for Patsy’s Brand and dismiss the case. *See, e.g., Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 746 (2d Cir. 1998) (dismissing Lanham Act claim for failure to prove likelihood of confusion element); *O’Keefe v. Ogilvy & Mather Worldwide, Inc.*, 590 F. Supp. 2d 500, 526 (S.D.N.Y. 2008) (same on summary judgment). Instead, while it did “close” the case, it took an unjustifiable jurisdictional, procedural, and logical leap—from the perspective of the parties’ respective trademark rights—by invoking Section 37 and ordering the USPTO to grant I.O.B.’s ‘149 and ‘491 Applications for marks the USPTO found were barred from registration due to the superior, senior rights and incontestable registration of the ‘551 Mark. (SPA002). By so doing, the district court vitiated precisely the value of trademark registration provided in the statutory scheme enacted by Congress in the Lanham Act, and rendering Section 2(d) and, arguably, the entire enterprise of examination of trademarks by the USPTO, a nullity.

“A district court’s determination to grant relief pursuant to 15 U.S.C.A. § 1119 is reviewed for an abuse of discretion.” *Empresa Cubana del Tabaco*, 541 F.3d at 478. A district court’s “factual error or mistakes of law” are relevant to whether it has abused its discretion. *Patsy’s III*, 658 F.3d at 264. “A district court

by definition abuses its discretion when it makes an error of law.” *Koon v. United States*, 518 U.S. 81, 100 (1996); *Cordes & Co. Fin. Servs. v. A.G. Edwards & Sons, Inc.*, 502 F.3d 91, 98 (2d Cir. 2007). Here the district court’s use of Section 37 was an abuse of discretion because it took it upon itself to act as if it were reviewing an appeal of a refusal to register by the USPTO after an adverse ruling by the TTAB pursuant to 15 U.S.C.A. § 1071(b)(1). *See also* TBMP § 1219.02. But there was no such ruling, and no such appeal. The only claims in the case filed by I.O.B.—a **false association/infringement** claim—failed on the element of likelihood of confusion. For this reason, the district court’s action is improper, without precedent, and is reversible error.

Section 37 of the Lanham Act reads 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 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.

15 U.S.C.A. § 1119. Section 37 is not a limitless grant of authority to district courts to intercede in USPTO administrative proceedings at any juncture and for any reason. *Manganaro Foods, Inc. v. Manganaro’s Hero-Boy, Inc.*, No. 01 CIV. 0849, 2002 WL 1560789, at *10 (S.D.N.Y. July 15, 2002). Rather, “Section 37 assumes

a properly instituted and otherwise jurisdictionally supportable action involving a registered mark.” *Universal Sewing Mach. Co. v. Standard Sewing Equip. Corp.*, 185 F. Supp. 257, 259-60 (S.D.N.Y. 1960). For this reason, a district court does “not have the authority to decide issues regarding a mark that was not properly before it.” *Eagles, Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 730 (6th Cir. 2004); *see also Manganaro Foods*, 2002 WL 1560789, at *10. That is precisely what this district court did here, and why vacating the registration decree is appropriate.

The district court failed, in applying Section 37 in a case where it found no infringement had occurred as a matter of law, to recognize that this provision “creates a **remedy for trademark infringement** rather than an independent basis for federal jurisdiction.” *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 98 (2d Cir. 2011) (emphasis added), *aff’d*, 568 U.S. 85 (2013). Where, as here, the underlying trademark infringement claim was resolved by the court’s determination that there was no question of a likelihood of confusion, the court has no jurisdiction to afford relief under Section 37. *See id.* (finding no jurisdiction to entertain cancellation counterclaim under Section 37 where infringement claim dismissed). Furthermore, in a case in which a court is “exercising jurisdiction over a suit involving a registered mark,” that court “would not be expected to entertain unrelated claims for registration of other marks.” *Cont’l Connector Corp. v. Cont’l Specialties Corp.*, 413 F. Supp. 1347, 1349 (D. Conn. 1976). Yet, that is exactly what occurred here.

The district court's haphazard use of Section 37 was entirely improper. If federal court litigation involves a registered trademark, there must be a "close nexus between the issues in the pending [trademark] application proceeding and those in the federal court dispute involving the registered mark" in order for the court to determine registrability of a pending unregistered mark. 6 *McCarthy on Trademarks and Unfair Competition* § 32:53 (5th ed.) (citing *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 48 U.S.P.Q.2d 1385 (N.D. Ill. 1998), *aff'd on other grounds*, 188 F.3d 427 (7th Cir. 1999)). Relief under Section 37 is, therefore, typically raised by a party in its pleadings or by motion. *See, e.g., Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 609, 614 (2d Cir. 1960) (validity of mark raised in counterclaim); *New World Sols., Inc. v. NameMedia Inc.*, 150 F. Supp. 3d 287, 332-33 (S.D.N.Y. 2015) (counterclaim for cancellation in infringement action); *Empresa Cubana Del Tabaco v. Culbro Corp.*, 478 F. Supp. 2d 513, 520 (S.D.N.Y. 2007) ("Section 1119 relief is generally asserted as a counterclaim in federal court litigation" and collecting cases), *aff'd*, 541 F.3d 476. In contrast, where, as here, Section 37 relief is not sought by any party, it is not appropriate relief—especially with respect to marks whose entitlement to registration have never been litigated before that court or even raised as a possible issue. "Generally, where neither party has requested the injunctive relief the district court intends to grant, the parties must receive an

opportunity to be heard.” *Patsy’s III*, 658 F.3d at 274; *see also Empresa Cubana del Tabaco*, 541 F.3d at 478.

It should not have to be said, therefore, that a party that is disappointed or frustrated with the process of registering a trademark cannot file a civil action and invoke Section 37 to circumvent the USPTO administrative trademark registration proceedings. 6 *McCarthy*, § 32:53. As *McCarthy* pointedly explains:

Since Congress has granted the power to register trademarks to the United States Patent and Trademark Office (PTO), federal courts have no jurisdiction over administrative registration proceedings except the appellate jurisdiction expressly granted by statute. So an applicant whose mark is opposed before the Trademark Board, or a registrant whose mark is attacked for cancellation before the Trademark Board, cannot short-circuit the administrative process by filing suit for declaratory judgment in the federal courts. Where an administrative proceeding is already under way, the courts should not short-circuit the proceeding by entertaining a suit for declaratory judgment unless there are independent grounds such as a threat of infringement litigation. As the Second Circuit said, “The Declaratory Judgment Act may not be used simply to remove a controversy from a forum where it properly belongs.” Under this rule, it has been said: “The Court will not, by declaratory judgment, intercede gratuitously in the unfinished and pending administrative proceedings.”

Id. (footnotes omitted) (quoting, *inter alia*, *Topp-Cola Co. v. Coca-Cola Co.*, 314 F.2d 124, 126 (2d Cir. 1963)).

The decision in *Manganaro Foods* illustrates precisely the application of these principles, and the error committed by the district court here. In *Manganaro Foods*,

the plaintiff was an Italian food store, which did **not** own a registered mark. It sued the defendant, which **did** own a registered mark, for false association under Section 43(a) of the Lanham Act, and included a “claim” under Section 37 by which it sought to have the district court order the USPTO to register its own mark. 2002 WL 1560789, at *1. After granting the defendant’s motion for summary judgment dismissing the plaintiff’s Section 43(a) claim, *id.* at *9, the district court turned to the Section 37 count, which it rejected, explaining that there are “limits to the authority granted by Section 37” and that it is a remedy, not a cause of action. *Id.* at *10. “Section 37 does not empower a Court to order registration of a trademark when there are no other claims in the case that involve, or would have any effect upon, the relevant issue of registrability,” the court explained, continuing as follows:

In this case, there is no basis to direct registration of the plaintiff’s alleged mark. Although the plaintiff has raised a claim for trademark infringement and false designation of origin pursuant to Section 43(a) of the Lanham Act, in deciding this claim it was unnecessary to determine whether the plaintiff’s mark was registrable. Indeed, the registrability of the plaintiff’s mark was not even relevant to the plaintiff’s standing to raise its Section 43(a) claim because this provision allows for actions asserting the infringement of both registered and unregistered marks. Moreover, this claim has now been dismissed. This is also not a case in which the plaintiff could attempt to leverage a challenge to the defendant’s registered marks into a basis for obtaining registration of its proposed mark, if such a claim were possible, because the plaintiff has not effectively challenged the defendant’s registrations. Hence, there is nothing in the register that needs to be rectified to conform to the rulings made in this case. In

these circumstances, Section 37 does not authorize the Court to direct the registration that the plaintiff seeks.

Id.

The district court's adjudication of this case completely failed to apply these principles. By entering a decree directing the USPTO to grant I.O.B.'s Applications and register PATSY'S PIZZERIA, the district court committed a clear abuse of discretion and plain error by misapplying Section 37, and was without jurisdiction to do so. Unlike the plaintiff in *Manganaro Foods* whose Section 37 "claim" was disposed of as a matter of law, I.O.B. did **not seek relief** under Section 37 in its pleadings, summary judgment motion, or briefing. (A017-019, 155-187, 982-1015, 1058-1079). Only via a last-minute sidestep did I.O.B. invoke Section 37, but even then, only as a basis for the district court to declare that Patsy's Brand abandoned its '551 Mark (*see* A155, 173) (citing 15 U.S.C.A. § 1119), an invitation the district court did not accept—presumably because I.O.B. failed to raise the issue in its pleadings; to brief it properly on summary judgment; and because, unlike the USPTO, a district court has **no jurisdiction** to entertain an affirmative abandonment and cancellation claim. *Universal Sewing*, 185 F. Supp. at 259-60; 6 *McCarthy*, § 32:53. *See Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 110 (2d Cir. 2000) (considering "defense of abandonment"); *New World Sols.*, 150 F. Supp. 3d at 332-33 (entertaining cancellation counterclaim). *See also* 15 U.S.C.A. §

1064(3) (designating procedure for petitioning for cancellation on ground of abandonment); TBMP § 307 (petition for cancellation).

The only matter properly before the district court, therefore, was whether Patsy's Brand was entitled to summary judgment dismissing I.O.B.'s Lanham Act and New York common law claims. For the reasons set forth in Point VI.2, Patsy's Brand was entitled to summary judgment on those claims, and was entitled upon their dismissal to walk away with a straightforward judgment dismissing the Complaint. For its part, I.O.B. would still have every right to return to the TTAB and prosecute its appeal of the examiner's refusal to register its proposed marks, exhausting its administrative remedies and taking an appeal to the appropriate court at that juncture if it saw fit. The district court simply had no jurisdiction to intercede in the *ex parte* TTAB registration proceedings as to the '149 and '491 Applications, and it was plain error for it to enter the Judgment purporting to do so. *See, Eagles*, 356 F.3d at 730; *Manganaro Foods*, 2002 WL 1560789, at *10; *Cont'l Connector*, 413 F. Supp. at 1349.³

³ Nor did the court have authority to issue a declaratory judgment as to the registrability of a mark that was under appeal in the USPTO. 6 *McCarthy*, § 32:53. A declaratory judgment "may not be used simply to remove a controversy from a forum where it properly belongs." *Id.* (quoting *Topp-Cola Co.*, 314 F.2d at 126); *see also Vina Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391, 397 (S.D.N.Y. 2011).

The district court's invocation of Section 37 here was a clear-cut abuse of discretion. Ordering Section 37 relief in favor of the "losing" party which, having failed to meet its burden under Fed. R. Civ. P. 56 to demonstrate a triable fact issue **on its own claims**, was a *per se* abuse of discretion. *See Nike*, 663 F.3d at 98 (finding no jurisdiction under Section 37 once infringement claim dismissed); *Manganaro Foods*, 2002 WL 1560789, at *10 (denying registration of plaintiff's mark as beyond its authority under Section 37, where infringement claim had been dismissed).

This Court should reverse the Judgment granting Section 37 registration relief to I.O.B. as a clear abuse of discretion and enter summary judgment in favor of Patsy's Brand dismissing this case. There is absolutely no reason to remand and subject Patsy's Brand to yet another round of costly, meritless, and abusive procedural legerdemain at the hands of this plaintiff.

B. Alternatively, this Court can modify the Judgment by entering summary judgment and deleting the Section 37 relief.

I.O.B. moved to dismiss this appeal arguing that Patsy's Brand is not aggrieved by the Judgment because the district court's Judgment "effectively found that [I.O.B.] could not prevail on its counts" because there was no likelihood of confusion. I.O.B. Motion Brief at 5-6 (2d Cir. Dkt. No. 37). In opposition, Patsy's Brand submitted that if the Court interprets the Judgment in the same manner, Patsy's Brand's remedy on appeal is, therefore, for the Court to simply modify the Judgment to expressly enter summary judgment for Patsy's Brand and delete the

district court's decree ordering registration of I.O.B.'s mark. *See* Patsy's Brand Motion Brief at 8-10, 13-15 (2d Cir. Dkt. No. 44).

Patsy's Brand will not belabor what was already thoroughly briefed on the motion before this Court, but reiterates briefly that under *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241, 242-43 (1939) and *Unique Sports Products, Inc. v. Ferrari Importing Co.*, 720 F.3d 1307, 1310-11 (11th Cir. 2013), where a lower court dismisses the plaintiff's patent or trademark infringement claim but nonetheless adjudicates the plaintiff's patent or trademark valid in the final decree, an appellant is entitled to have the appellate court eliminate that latter portion of the decree because it is "immaterial to the disposition of the cause" of action in the case. This rule reflects the venerable legal principle that a court should not go "beyond the necessities of the case." *Cinema-Tex Enters., Inc. v. Santikos Theaters, Inc.*, 535 F.2d 932, 933 (5th Cir. 1976); *see also Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 678 (1944) (Frankfurter, J., dissenting) (extolling the fundamental judicial "duty of not going beyond the necessities of a case").

The district court here went "beyond the necessities of [this] case," resulting in a registration determination not within the court's jurisdiction. To remedy this error, this Court need only reform the Judgment to formally enter summary judgment for Patsy's Brand and delete the decree ordering registration of I.O.B.'s mark.

VII. CONCLUSION

For the foregoing reasons, Patsy's Brand respectfully requests that this Court reverse the Judgment of the district court that ordered the USPTO to grant I.O.B.'s Applications '149 and '491 and register PATSY'S PIZZERIA and, instead, enter summary judgment in favor of Patsy's Brand dismissing I.O.B.'s meritless claims. Alternatively, the Court should simply modify the Judgment by expressly entering summary judgment for Patsy's Brand and deleting the registration decree.

Respectfully submitted,



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Attorneys for Appellant,

Patsy's Brand, Inc.

Dated: March 19, 2019

**CERTIFICATE OF COMPLIANCE
WITH TYPE-VOLUME LIMITATION, TYPEFACE
REQUIREMENTS, AND TYPE STYLE REQUIREMENTS**

This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 10,432 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionately spaced typeface using Microsoft Word in 14-point Times New Roman font.

Dated: March 19, 2019



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SPECIAL APPENDIX

SPECIAL APPENDIX
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USDC SDNY
DOCUMENT
ELECTRONICALLY FILED
DOC #:
DATE FILED: 7/2/18

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

I.O.B. REALTY, INC.,

Plaintiff,

- against -

PATSY'S BRAND, INC. and
JOHN DOES 1-10,

Defendants.

16 Civ. 7682 (LLS)

JUDGMENT

The disputes in which the parties and the United States Patent and Trademark Office ("PTO") are at present entangled have their sources in the relationship between the trademark PATSY'S OF NEW YORK for restaurant services and the trademark PATSY'S PIZZERIA which is being denied registration for pizzeria services and for franchising services based on the misconception that it is sufficiently similar to PATSY'S OF NEW YORK to produce confusion. In reality

1. There is no likelihood of confusion between PATSY'S OF NEW YORK and PATSY'S PIZZERIA. Except for the name Patsy's, no word in one appears in the other. It is stipulated that "Neither party produced evidence of actual confusion" (Stipulated Fact 40) and "Neither party entered or otherwise produced survey evidence concerning a likelihood of confusion" (Stipulated Fact 41) between the two marks;

2. At various times all parties have recognized and asserted the dissimilarity between the marks and the

unlikelihood of confusion; and accordingly

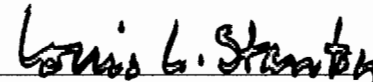
IT IS ORDERED, ADJUDGED, AND DECREED that

3. Pursuant to Section 37 of the Lanham Act, 15 U.S.C. § 1119,* the PTO is directed forthwith to grant Applications numbered 76/649,149 and 77/086,491 and to register the mark PATSY'S PIZZERIA for pizzeria services and for franchising services; and

4. The Clerk shall certify a copy of this order to the Director of the PTO for compliance herewith; and

5. The Clerk shall close the case.

Dated: New York, New York
July 2, 2018



LOUIS L. STANTON
U.S.D.J.

* Section 37 of the Lanham Act, 15 U.S.C. § 1119, 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.

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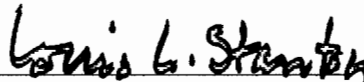
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AO 120 (Rev. 08/10)

TO: Mail Stop 8 Director of the U.S. Patent and Trademark Office P.O. Box 1450 Alexandria, VA 22313-1450	REPORT ON THE FILING OR DETERMINATION OF AN ACTION REGARDING A PATENT OR TRADEMARK
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In Compliance with 35 U.S.C. § 290 and/or 15 U.S.C. § 1116 you are hereby advised that a court action has been filed in the U.S. District Court _____ for the Southern District of New York _____ on the following

Trademarks or Patents. (the patent action involves 35 U.S.C. § 292.):

DOCKET NO. 16-cv-7682	DATE FILED 9/30/2016	U.S. DISTRICT COURT for the Southern District of New York
PLAINTIFF I.O.B. Realty, Inc.		DEFENDANT Patsy's Brand, Inc.
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK
1 3,090,551	5/9/2006	Patsy's Brand, Inc.
2		
3		
4		
5		

In the above—entitled case, the following patent(s)/ trademark(s) have been included:

DATE INCLUDED	INCLUDED BY <input type="checkbox"/> Amendment <input type="checkbox"/> Answer <input type="checkbox"/> Cross Bill <input type="checkbox"/> Other Pleading	
PATENT OR TRADEMARK NO.	DATE OF PATENT OR TRADEMARK	HOLDER OF PATENT OR TRADEMARK
1		
2		
3		
4		
5		

In the above—entitled case, the following decision has been rendered or judgement issued:

DECISION/JUDGEMENT Judgment

CLERK Ruby J. Krajick	(BY) DEPUTY CLERK Yadira Fuschillo	DATE 7/2/2018
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Copy 1—Upon initiation of action, mail this copy to Director Copy 3—Upon termination of action, mail this copy to Director
Copy 2—Upon filing document adding patent(s), mail this copy to Director Copy 4—Case file copy

SPA005