

AUGUST 3, 2020



## Protect your mark! Federal Circuit opens door to increased challenges at the TTAB

By Leslie Hartford and Jeff Costellia

A recent Federal Circuit decision in *Australian Therapeutic Supplies Pty. Ltd. v. Naked TM, LLC* appears to open the door to more parties to challenge a trademark registration at the United States Patent and Trademark Office. Whether this ruling will result in an uptick in challenges across the board remains to be seen.

### Background

*Australian Therapeutic* originated at the Trademark Trial and Appeal Board (TTAB) with Australian Therapeutic Supplies (ATS) petitioning to cancel the registration of Naked TM LLC's (Naked TM's) mark based on ATS's use of the same mark for the same goods. Although ATS originally marketed and sold primarily in Australia, the company expanded its sales efforts to the United States via its website in the early 2000s. A few years later, ATS began importing products directly into the U.S. for sale from brick and mortar stores. ATS maintains that it has continually advertised, offered, and sold goods under the NAKED mark since 2002 and, thus, has common law rights to the mark.

Naked TM applied for and obtained a registration for the NAKED mark for the same goods in 2007, despite ATS's assertion of its rights in its unregistered mark. After extensive settlement discussions and several attempts at an agreement, Naked TM sent ATS a cease and desist letter in 2012, threatening an infringement action if ATS did not discontinue its use of the mark. As a result of that letter, ATS initiated the cancellation proceeding with the TTAB.

### Cancellation proceeding

Under 15 U.S.C. § 1064, "any person who believes that he is or will be damaged... by the registration of a mark" may file a petition to cancel the mark within certain prescribed time frames or conditions. ATS claimed that it had standing to petition for cancellation based on its "direct commercial interest due to its prior and continuing use of the NAKED Marks" on its websites and its sale and shipment of goods bearing the marks into the U.S.

In its TTAB trial brief, Naked TM disagreed, instead alleging that the parties did in fact come to an agreement in 2007, which required ATS to transition to using a different mark and consent to

Naked TM's registration of the NAKED mark. As a result, Naked TM argued that ATS has no standing to petition for the cancellation of its mark because ATS "has not had consistent and continual sales in the U.S. market since 2007" and did not challenge Naked TM's registration in the years leading up to the cancellation proceeding, thereby failing to show a reasonable belief of damages.

The TTAB sided with Naked TM, finding that the parties' settlement discussions constituted an informal or oral agreement that ATS would not use or register the NAKED mark for the goods in the U.S. and that, accordingly, Naked TM could use and register the mark. The TTAB explained that ATS's "standing is intrinsically connected with the question of whether the parties have an enforceable agreement" that precluded ATS from using the NAKED mark. Because the TTAB found that ATS had agreed not to use or register the NAKED mark in the U.S., it ruled that ATS had no "real interest" in the proceeding nor "a reasonable basis for its belief of damages" and thus lacked standing.

### **Federal Circuit appeal**

ATS appealed the decision to the Federal Circuit. The Federal Circuit reversed the TTAB's ruling, holding that "an absence of proprietary rights does not in itself negate an interest in the proceeding or a reasonable belief of damage" and finding that ATS did, indeed, have both a real interest and a reasonable belief of damage.

Specifically, the court found that it was "erroneous" for the TTAB to deny a party the right to bring a cancellation proceeding because the party "does not have proprietary rights in its unregistered mark," noting that § 1064 has no such requirement. As to the actual requirements for standing, the court found that a petitioner may satisfy the real interest and reasonable belief of damage elements "where the petitioner has filed a trademark application that is refused registration based on likelihood of confusion with the mark subject to cancellation." Here, ATS twice applied to register its mark, and twice was refused registration based on Naked TM's registered mark. The court also held that a petitioner may satisfy the real interest and damage requirements by producing and selling products bearing the registered mark, as ATS also did.

Although this ruling broadens the pool of potential petitioners who may bring a cancellation proceeding, it remains to be seen whether parties will take advantage of the opportunity. Parties that have no proprietary rights in the mark at issue may be less inclined to involve themselves in a lengthy and often costly proceeding. On the other hand, parties whose applications have been blocked by a registered mark may well appreciate the chance to challenge that registration by providing them another tool in the toolbox for further enhancing their brand protection strategy.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

- Leslie Hartford, 617-345-1369, [lhartford@nixonpeabody.com](mailto:lhartford@nixonpeabody.com)
- Jeff Costellia, 202-585-8207, [jcostellia@nixonpeabody.com](mailto:jcostellia@nixonpeabody.com)