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Where to appeal a TTAB decision? The choice is complicated

A party appealing an adverse TTAB decision has two options: appeal to the US Court of Appeals for the Federal Circuit (CAFC) or file a civil action in US district court. In this guest piece, Leason Ellis LLP's Martin Schwimmer and Wolf, Greenfield & Sacks, PC's John L Welch unpick the recent Fourth Circuit decision in the PRETZEL CRISPS genericness case to examine the practical factors at play when making that decision.

Guest analysis

When appealing an adverse TTAB decision, a party must choose between two alternatives, each having pros and cons. A recent decision by the US Court of Appeals for the Fourth Circuit in the PRETZEL CRISPS genericness case presents an opportunity to examine the practicalities influencing a party's decision as to where to appeal.

For both *ex parte* and *inter partes* decisions of the TTAB, Section 1071 of the US Trademark Act (ie, Section 21 of the Lanham Act) provides a "dissatisfied party" with two options for challenging the TTAB's decision:

- an appeal to the CAFC under Section 1071(a); or
- a civil action in a US district court under Section 1071(b).

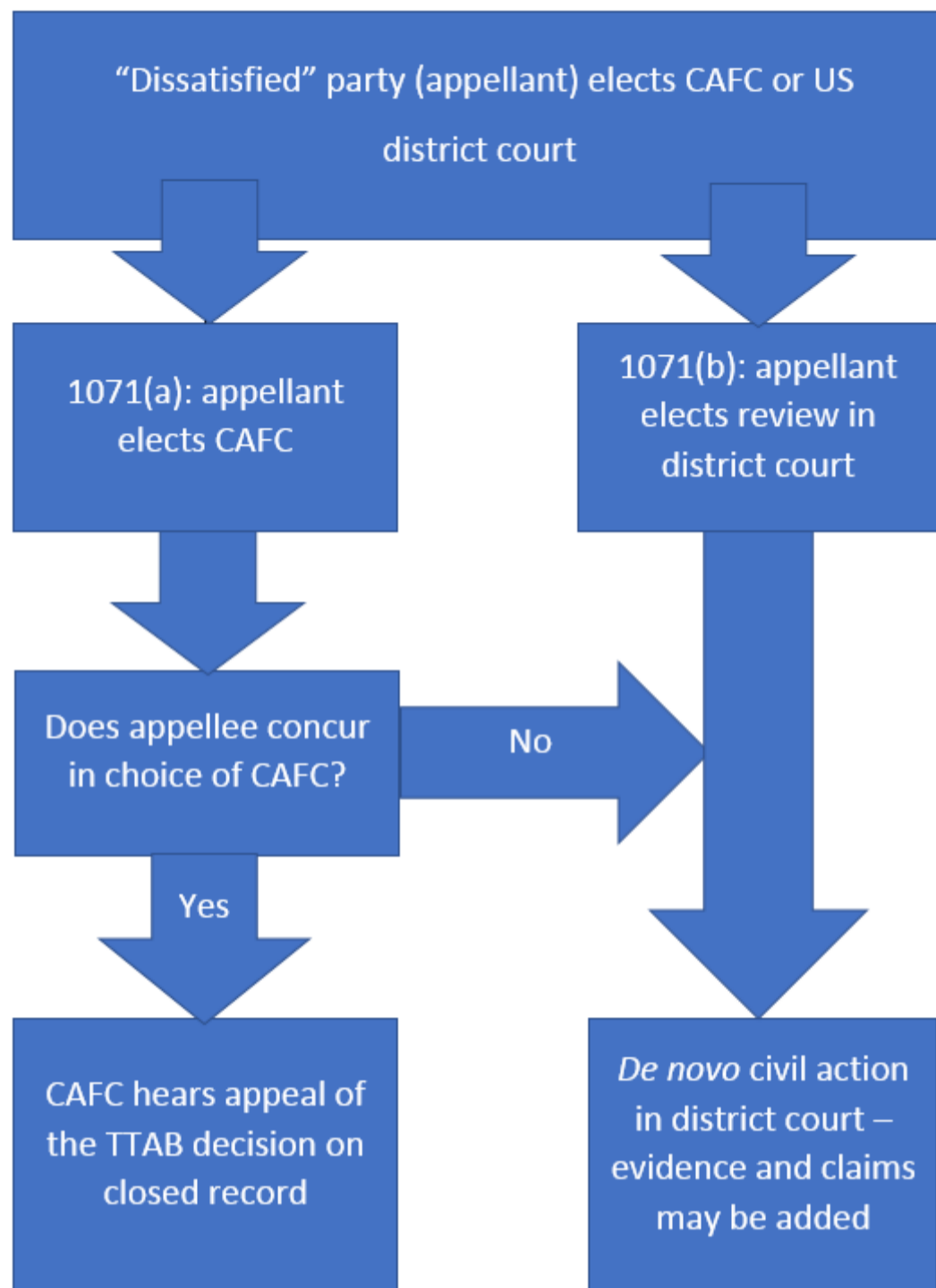
Complicating the scheme (although not at issue in the PRETZEL CRISPS case), the "satisfied" party in an *inter partes* proceeding need not concur in the appellant's choice of the CAFC. It may, within 20 days of the notice of appeal, elect to have the case heard in a US district court under Section 1071(b) instead. However, the reverse is not allowed; a review commenced by way of civil action in a district court may not be removed to the CAFC. Moreover, in an *ex parte* appeal to the CAFC, the USPTO (as the appellee) cannot opt for the district court.

Choosing where to appeal requires weighing several practical considerations. Most importantly, the two avenues are different in scope of review. In an appeal to the CAFC, the record is closed – the court considers the same evidentiary record that the TTAB considered – whereas in a civil action, the parties are entitled to a trial *de novo* and may introduce new evidence, new arguments and even new claims, such as trademark infringement and unfair competition.

The CAFC route is likely to be quicker and less expensive because each party has already put together its legal argument during the TTAB proceeding. The district court route may take longer but, as noted above, will allow:

- supplementation of the record with new evidence (eg, in a genericness case, the *de novo* review may allow a party to add to the record several years' worth of evidence of secondary meaning that accumulated while the TTAB case was pending);
- the introduction of new issues; and
- the possibility of remedies beyond a denial or cancellation of a registration – including monetary and injunctive relief.

Section 1071 appellate scheme for TTAB decisions



PRETZEL CRISPS decision keeps parties' options open

The PRETZEL CRISPS case illustrates a rare situation in which a party had the opportunity to make two (different) appellate choices in a single TTAB proceeding.

The Fourth Circuit's ruling in *Snyder's-Lance, Inc and Princeton Vanguard, LLC v Frito-Lay North America, Inc* (2021 USPQ.2d 318 (4th Cir 2021)) is the latest twist in the long and winding road toward determination of the registrability of the proposed mark PRETZEL CRISPS for pretzel crackers. (Note: in the United States, a 'crisp' may be defined as a type of cracker, unlike in the United Kingdom where a 'crisp' is what US consumers would call a 'potato chip'.)

The journey began with a 2014 TTAB decision rejecting Princeton Vanguard's application to register PRETZEL CRISPS on the ground that the mark is generic (*Frito-Lay v Princeton Vanguard*, 109 USPQ.2d 1949 (TTAB 2014)). Princeton Vanguard appealed to the CAFC under Section 1071(a) and in 2015 that appellate court vacated the TTAB's decision and remanded the case because the TTAB had failed to apply the correct legal standard for genericness (*Princeton Vanguard v Frito-Lay*, 786 F.3d 960 (Fed Cir 2015)). Specifically, the court concluded that the TTAB had erroneously evaluated the terms 'PRETZEL' and 'CRISPS' separately, rather than the combined term 'PRETZEL CRISPS'. On remand, in 2017 the TTAB again found PRETZEL CRISPS to be generic for pretzel crackers (*Frito-Lay v Princeton Vanguard*, 124 USPQ2d 1184 (TTAB 2017)).

Rather than appealing again to the CAFC, Princeton Vanguard filed a complaint in the US District Court for the Western District of North Carolina. (Personal jurisdiction over Frito-Lay was proper in that district under Sections 1-75.4 of the North Carolina General Statutes because Frito-Lay promotes and sells its products in the district, and its parent company is incorporated in North Carolina.) The complaint sought review of the TTAB's 2017 decision under Section 1071(b).

In October 2019, US District Court Judge Kenneth D Bell ruled (*sua sponte*) that because Princeton Vanguard had appealed the first TTAB decision to the CAFC under Section 1071(a) of the Lanham Act, it had waived its right to review in the district court (rather than the CAFC) as to the second TTAB decision. Therefore, Judge Bell concluded that the district court lacked subject-matter jurisdiction over the civil action and dismissed the case (*Princeton Vanguard, LLC v Frito-Lay North America, Inc*, 414 F Supp 3d 822 (WD NC 2019)).

Princeton Vanguard appealed that decision to the US Court of Appeals for the Fourth Circuit (which hears appeals from the decisions of the district courts in several states, including North Carolina). On 17 March 2021, the Fourth Circuit reversed the decision and remanded the case to the district court for further proceedings.

In dismissing the civil action, Judge Bell had seized upon language in Section 1071(a) stating that when a party elects to appeal to the CAFC, it "thereby waive[s] [its] right to proceed under Section 1071(b)". Moreover, Section 1071(b) states that a party dissatisfied with a TTAB decision "may, unless appeal has been taken to... the Federal Circuit, have remedy by a civil action". The Fourth Circuit noted that "[a]t

first blush”, this language seems to foreclose Princeton Vanguard’s path to the district court. However, after a detailed examination and analysis of Section 1071, the appellate court concluded that the language supported Princeton Vanguard’s position:

*While the statute speaks of “waiving [one’s] right” to district court proceedings and refers to an “appeal [that] has been taken” to the Federal Circuit, it says nothing about how long a choice of forum remains in effect, or whether it can bind a party across appeals from related, but **distinct “decisions.”** Common sense, however, suggests that there must be some limitation. (Emphasis added).*

The Fourth Circuit considered the practicalities (some of which are discussed above) involved in the choice between the CAFC route for appeal and the district court route. It pointed out that a party’s need or desire to seek district court review may become clear only after reviewing the TTAB’s second decision. Here, Princeton Vanguard explained that it originally chose the CAFC because it wanted a swift correction of the TTAB’s legal error. After the TTAB’s second decision, Princeton Vanguard believed that further fact finding would support its case. Therefore, it decided to proceed in the district court. (Before the case was dismissed by Judge Bell, Princeton Vanguard had presented new evidence to the district court, including the results of a new survey. The TTAB had refused to consider its original survey evidence.) The Fourth Circuit observed that rejection of the waiver argument and allowing the civil case to proceed furthers a party’s ability to choose its own litigation strategy and to reassess its position after each TTAB decision.

Practical factors to consider

Although seldom does a party to a TTAB proceeding have two opportunities to appeal in the same case, it is nonetheless significant for TTAB practitioners to know that the first choice regarding the route for appeal is not etched in stone, and that both options for appeal remain open in the future.

Other practical factors will also influence a party’s decision regarding where to appeal. It may believe that bringing a civil action in its own ‘home court’ will be more likely to bring a favourable result. Or it may calculate that the relatively greater expense of a civil action will bring the other party to its knees. The prospect of responding to discovery requests and appearing for discovery and trial may also cause a party to come to the settlement table. One might conclude from these observations that a well-heeled party would likely favour the district court option.

In sum, the choice of where to appeal a TTAB decision involves the analysis and weighing of a number of practical factors whose significance may change during the course of the case. The PRETZEL CRISPS decision importantly keeps a party’s options open in the rare instance where more than one appeal occurs in a single case.

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