

TTAB Sets Precedent on Preclusive Effect of Prior Actions

November 29, 2016

In *Chutter Inc v Great Concepts LLC*, Cancellation 92061951 (August 30 2016), a precedential opinion, the Trademark Trial and Appeal Board (TTAB) held that a fraud claim based on a Section 15 declaration filed during a prior proceeding for fraud on a different basis was not barred by claim preclusion. In a prior cancellation proceeding against the respondent, the petitioner's predecessor claimed false suggestion of a connection as well as fraud for the respondent's failure to inform the examining attorney during the registration process that the mark identified a living individual. During a temporary suspension of the cancellation proceeding pending the resolution of a separate civil court action between the parties, the respondent filed combined declarations of use and incontestability under Sections 8 and 15. These declarations falsely stated that there was no proceeding involving the registration pending either before the TTAB or in the courts. When the prior cancellation proceeding resumed, the TTAB found that both claims were insufficiently pleaded and granted the petitioner's predecessor leave to amend its petition. The petitioner's predecessor neglected to do so and the TTAB dismissed the prior cancellation proceeding with prejudice for failure to prosecute. The petitioner then sought to cancel the respondent's registration based on the respondent's fraudulent filing of a Section 15 declaration during that prior cancellation proceeding. In opposition, the respondent moved for summary judgment arguing the new petition was barred because the petition wholly relied on the claim for fraud in the filing of the Section 15 declaration, which could have been but was not raised in the prior proceeding. The TTAB first stated the general rule that claim preclusion prevents litigation of matters that have never before been litigated, but could have been raised in a previous action between the parties. The TTAB then outlined the factors set by the Supreme Court in assessing whether an action is barred by claim preclusion:

- there is identity of the parties (or their privies);
- there has been an earlier final judgment on the merits of a claim; and
- the second claim is based on the same set of transactional facts as the first.

The TTAB quickly disposed of the first two factors as they were both easily satisfied. The TTAB then

assessed the third factor. At the outset, the TTAB clarified that claim preclusion does not bar any claim that was or became ripe during a prior proceeding. Instead, the phrase “could have been raised” refers to “the assertion ‘of a different cause of action or theory of relief’ based on the ‘same transactional facts’ as earlier asserted”. The TTAB further cautioned that precedent strongly discourages barring claims that were not previously before the court, especially when the prior action was dismissed on procedural grounds. Applying this rationale, the TTAB found that the new cancellation proceeding was not based on the same transactional facts as the earlier proceeding. Although both proceedings were based on fraud, the prior action involved statements made to the examining attorney during the application process, while the pending action concerns statements made six years later to the Post Registration Section in the maintenance of the registration. As such, the TTAB found that the underlying transactions in the two actions were unrelated. Therefore the TTAB denied the respondent’s motion and entered summary judgment on the issue of claim preclusion in favour of the petitioner. This case makes clear that claim preclusion does not encompass all claims that could have been raised in a prior proceeding among the parties and sets an important precedent detailing the TTAB’s applicable analysis in preclusion cases. *Republished with permission by World Trademark Review (www.worldtrademarkreview.com)*

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