

District of New Jersey Signals Later-Filed Infringement Suits May Be Stayed Pending More Advanced TTAB Actions

March 23, 2021

Source: New Jersey Federal Practice Alert

A recent decision by Judge Michael Vazquez of the District of New Jersey affirmed Magistrate Judge Mark Falk's grant of a motion to stay trademark infringement litigation pending a decision on cancellation proceedings before the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office. Judge Vazquez's opinion, in *Shaf International, Inc. v. Ultimate Leather Apparel, Inc.*, 2021 U.S. Dist. LEXIS 22139 (D.N.J. Feb. 5, 2021), *aff'g* 2020 U.S. Dist. LEXIS 228972 (D.N.J. Dec. 7, 2020), highlights several key strategic considerations trademark owners should consider before initiating both TTAB proceedings and instituting related federal court litigation.

In this case, plaintiff Shaf International, Inc. filed a petition to cancel defendant Ultimate Leather Apparel, Inc.'s trademark registrations in 2019; the parties proceeded through discovery in the TTAB proceeding, and it closed on April 5, 2020. Meanwhile, on March 10, 2020, just weeks before that deadline, Plaintiff instituted an infringement lawsuit against defendants Ultimate Leather and its owner, Asad Ahmed, in the District of New Jersey. As a result of that filing, the TTAB action was stayed, but Defendants soon asked the federal court to stay its proceeding in favor of the TTAB one.

In a motion to stay proceedings, the court was required to consider: (1) interests of judicial economy; (2) the harm or unfair prejudice to the non-moving party that will result from the grant of a stay; and (3) the hardship and inequity to the moving party if the stay is denied. Balancing these factors, Magistrate Judge Falk found that they favored a stay of the district court litigation (and thus reinstitution of the TTAB proceeding). On appeal, Judge Vazquez reviewed each of the arguments and determined that Judge Falk's decision was not clearly erroneous.

On review, Judge Vazquez determined that a TTAB decision could affect many of the issues in the federal court case, such as whether the two parties' marks are confusingly similar, which would benefit judicial economy. Therefore, if the federal court adopted the TTAB decision, many of the federal court claims would be resolved. Additionally, Judge Falk noted that the federal court case had not advanced past the pleading stage – there was no scheduling order and discovery had not begun – while discovery had closed before the TTAB. Thus, relying on Judge Falk's reasoning, Judge Vazquez concluded that the first filed case should be allowed to reach its conclusion first, especially because the parties and the court had not invested any time or resources in the federal litigation.

Second, Judge Vazquez concluded that there was sufficient evidence that a stay would not be unduly prejudicial to Plaintiff, the non-moving party. Instead, Judge Vazquez focused on Judge

Falk's conclusion that Plaintiff would obtain faster relief by an adjudication of its claims before the TTAB because that case had been litigated for nearly a year and discovery was closed. Significantly, both Judge Falk and Judge Vazquez noted that if Plaintiff wanted its claims decided in federal court, it should have filed its case there from the beginning. Conversely, Judge Vazquez determined there was adequate support for Judge Falk's conclusion that Defendants would suffer hardship and prejudice if they had to relitigate the same issues in the District Court after spending almost a year litigating before the TTAB, and that they should not have to duplicate efforts and resources because Plaintiff later sought to have its claims adjudicated in federal court.

While both are unpublished, Judge Falk's and Judge Vazquez's decisions provide insight on strategical considerations trademark owners should consider when choosing either the TTAB or federal court as a venue for their claims, and when – if at all – to assert the same or a related dispute in an additional venue. More specifically, Judge Falk's and Judge Vazquez's reasoning both indicate that a substantially later, related filing will likely be stayed in order for the more advanced action to proceed to conclusion.

Copies of both Judge Vazquez's and Judge Falk's opinions may be found at the attached links.