

1 UNITED STATES COURT OF APPEALS

2 FOR THE SECOND CIRCUIT

3 August Term, 2009

4 (Argued: October 19, 2009 Decided: August 24, 2011)

5 Docket Nos. 08-4487-cv(L), 08-4774-cv(XAP)

6 - - - - -
7 PATSY'S ITALIAN RESTAURANT, INC.,
8 Plaintiff-Counter-Defendant-Appellant-Cross-Appellee,

9
10 PATSY'S BRAND, INC.,
11 Plaintiff-Appellant-Cross-Appellee,

12 v.

13
14 ANTHONY BANAS, doing business as Patsy's, doing business as
15 Patsy's Pizzeria Trattoria Impazzire, doing business as Patsy's
16 Bakery & Café, ALLAN ZYLLER, doing business as Patsy's Pizzeria
17 Trattoria, doing business as Patsy's, AL & ANTHONY'S PATSY'S,
18 INC., I.O.B. REALTY, INC.,
19 Defendants-Counter-Claimants-Appellees-Cross-
20 Appellants,

21
22 PATSY'S BAKERY & CAFÉ, PATSY'S PIZZERIA,
23 Defendants-Appellees,

24
25 ANTHONY & PATSY'S,
26 Defendant-Appellee-Cross-Appellant,

27
28 B SZ REALTY CORP.,
29 Defendant,

30
31 PATSY'S INC.,
32 Intervenor-Cross-Appellant.

33 - - - - -
34 B e f o r e: WINTER, POOLER, Circuit Judges, and RAKOFF,
35 District Judge.*
36

* The Hon. Jed S. Rakoff, of the United States District Court for the Southern District of New York, sitting by designation.

1 Patsy's Italian Restaurant appeals, and Patsy's Pizzeria
2 cross-appeals, from a judgment of the United States District
3 Court for the Eastern District of New York (Ramon E. Reyes, Jr.,
4 Magistrate Judge) after a jury trial on claims brought pursuant
5 to trademark and unfair competition law. We uphold the district
6 court's jury instructions. Additionally, we affirm the district
7 court's refusal to grant a new trial on the issue of whether
8 Patsy's Pizzeria made fraudulent statements to the Patent and
9 Trademark Office, as well as its refusal to vacate the jury's
10 verdict that Patsy's Italian Restaurant did not fraudulently
11 obtain its trademark registrations. We further affirm the
12 district court's refusal to reinstate Patsy's Pizzeria's
13 trademark registration and its cancellation of Patsy's Italian
14 Restaurant's trademark registrations. Finally, we uphold the
15 district court's denial of attorneys' fees and injunctive relief.
16 We therefore affirm.

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18 Dunham LLP, New York, New
19 York (Robert T. Maldonado,
20 Tonia A. Sayour, on the
21 brief), for Plaintiff-
22 Counter-Defendant-Appellant-
23 Cross-Appellee and
24 Plaintiff-Appellant-Cross-
25 Appellee.

26
27 PAUL GRANDINETTI, Levy &
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30 Steven M. Levy, on the
31 brief), for Defendants-
32 Counter-Claimants-Appellees-
33 Cross-Appellants.

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1 WINTER, Circuit Judge:

2
3 This appeal is the latest, longest, and perhaps even the
4 last, chapter in a long legal struggle involving a host of
5 trademark and unfair competition claims over the name "Patsy's."
6 Patsy's Italian Restaurant, Inc., and Patsy's Brand, Inc.
7 (collectively "Patsy's Italian Restaurant" or "appellants")
8 appeal from a judgment entered after a jury trial before
9 Magistrate Judge Reyes. Anthony Banas, Anthony's & Patsy's Inc.,
10 Allan Zyller, Al & Anthony's Patsy's Inc., I.O.B. Realty, Inc.,
11 and Patsy's Inc. (collectively "Patsy's Pizzeria" or "appellees")
12 cross-appeal.

13 Patsy's Italian Restaurant's appeal raises the following
14 issues: (i) whether the district court erroneously cancelled
15 their service mark registrations; (ii) whether the district
16 court's decisions regarding injunctive relief constituted an
17 abuse of discretion; and (iii) whether the district court abused
18 its discretion when it denied their request for attorneys' fees.
19 Patsy's Pizzeria's cross-appeal raises the following issues: (i)
20 whether their rights were erroneously limited to pizzeria
21 services; (ii) whether the jury verdict that they fraudulently
22 obtained their service mark registration can be upheld; (iii)
23 whether the jury verdict that appellants did not fraudulently
24 obtain their service mark registrations should have been vacated;
25 (iv) whether the district court erroneously refused to reinstate
26 their service mark registration; and (v) whether the district

1 court's decisions regarding injunctive relief constituted an
2 abuse of discretion.

3 We affirm. Relevant factual disputes were resolved by the
4 jury, and the district court's equitable relief was appropriately
5 balanced and designed to limit ongoing consumer confusion.

6 BACKGROUND

7 To shorten this section and overall opinion, we provide only
8 an overview of the parties, their trademarks, their relationship
9 with one another, and the current dispute. Relevant descriptions
10 of the evidence at trial, the jury instructions, and various
11 aspects of the motion practice in the district court will be
12 given in the DISCUSSION section when relevant.

13 a) The Parties

14 Appellants are associated with Patsy's Italian Restaurant on
15 West 56th Street in Midtown, New York City. It has been in
16 operation since 1944 and is well-known for Italian cuisine. The
17 entity Patsy's Italian Restaurant, Inc. operates the restaurant.
18 Patsy's Brand, Inc. was created in 1993 to sell packaged food
19 products in association with Patsy's Italian Restaurant. At the
20 beginning of this action, Patsy's Italian Restaurant, Inc. held
21 two federal service mark¹ registrations issued November 1, 2005

¹ A service mark is:

[A]ny word, name, symbol, or device, or any
combination thereof--

(1) used by a person, or

(2) which a person has a bona fide intention
to use in commerce and applies to register on

1 -- Registration Nos. 3,009,836 (the "´836 Registration") and
2 3,009,866 (the "´866 Registration") -- which have since been
3 transferred to Patsy's Brand. The ´836 Registration is for the
4 stylized mark PATSY'S PR for restaurant services. The ´866
5 Registration is for the mark PATSY'S for restaurant services not
6 including pizza. Patsy's Brand also holds Registration No.
7 1,874,789 (the "´789 Registration") for the trademark PATSY'S for
8 sauces.

9 Appellees are associated with Patsy's Pizzeria. The
10 original Patsy's Pizzeria opened in 1933 in East Harlem and
11 claims to have been the first pizzeria to sell pizza by the

the principal register established by this
chapter,
to identify and distinguish the services of one
person, including a unique service, from the
services of others and to indicate the source of
the services, even if that source is unknown.

15 U.S.C. § 1127. In contrast, a trademark is:
[A]ny word, name, symbol, or device, or any
combination thereof--
(1) used by a person, or
(2) which a person has a bona fide intention
to use in commerce and applies to register on
the principal register established by this
chapter,
to identify and distinguish his or her goods,
including a unique product, from those
manufactured or sold by others and to indicate the
source of the goods, even if that source is
unknown.

Id. Because trademarks and service marks are generally
protected by the same standards, see 15 U.S.C. § 1053; Lane
Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 192 F.3d
337, 344 n.2 (2d Cir. 1999), we make no distinction in the
law governing these marks unless specifically noted.

1 slice. I.O.B. Realty, Inc. purchased the original Patsy's
2 Pizzeria in 1991 and entered into a licensing agreement with
3 Patsy's Inc. in 1998. Under the current agreement, I.O.B. Realty
4 owns the real estate and trademarks, whereas Patsy's Inc. is the
5 franchising arm of Patsy's Pizzeria. There are currently six
6 Patsy's Pizzeria locations in Manhattan in addition to the
7 original location, the Staten Island location, and the Syosset
8 location. When appropriate, we refer to I.O.B. Realty and
9 Patsy's Inc. collectively as the "intervening appellees." I.O.B.
10 Realty previously received two federal service mark registrations
11 -- Registration No. 1,975,110 ("the '110 Registration") and
12 Registration No. 2,213,574 (the '574 Registration"). The '110
13 Registration, issued May 21, 1996, was for the mark PATSY'S for
14 restaurant services. The '574 Registration, issued December 29,
15 1998, was for the mark PATSY'S PIZZERIA for restaurant services.

16 Appellees Banas and Anthony & Patsy's, Inc. are associated
17 with the Staten Island location of Patsy's Pizzeria, and, when
18 appropriate, are referred to collectively as the "Staten Island
19 appellees." The district court found that, as a matter of law,
20 the Staten Island location was opened after they obtained a
21 license to use I.O.B. Realty's marks. Appellees Banas, Zyller,
22 and Al & Anthony's Patsy's, Inc. are associated with the Syosset
23 location of Patsy's Pizzeria, and, when necessary, are referred
24 to as the "Syosset appellees." The district court found that, as
25 a matter of law, the Syosset location also obtained a license to

1 use I.O.B. Realty's marks.

2 b) The Prior Sauce Dispute

3 The parties coexisted without litigation until each began to
4 sell packaged sauce under the name "Patsy's," thereby causing
5 considerable consumer confusion. On October 8, 1998, the
6 intervening appellees brought a cancellation proceeding before
7 the Patent and Trademark Office (the "PTO") seeking the
8 cancellation of Patsy's Brand's '789 Registration for PATSY'S for
9 sauces. Patsy's Brand responded by filing a cancellation
10 proceeding before the PTO seeking the cancellation of I.O.B.
11 Realty's Registration No. 1,975,110 for PATSY'S for restaurant
12 services and Registration No. 2,213,574 for PATSY'S PIZZERIA for
13 restaurant services. Patsy's Brand also filed suit in the
14 Southern District against the intervening appellees. The action
15 (the "sauce litigation") alleged trademark infringement and
16 unfair competition due to appellees' sale of sauces using the
17 PATSY'S mark. The cancellation proceedings were consolidated and
18 suspended pending resolution of the sauce litigation.

19 In granting Patsy's Brand's a preliminary injunction in the
20 sauce litigation, the district court rejected the intervening
21 appellees' argument that they were entitled to bridge the gap
22 into sauces as the senior user of the PATSY'S mark for restaurant
23 services. Patsy's Brand Inc. v. I.O.B. Realty Inc. ("Patsy's
24 Brand I"), 53 U.S.P.Q.2d 1861, 1862-63 (S.D.N.Y. 2000). The
25 court reasoned that the mark PATSY'S for restaurant services was

1 weak, as both parties had the right to use the mark for
2 restaurant services. Id. at 1863. It also observed that it was
3 unclear when the intervening appellees entered the sauce market,
4 because evidence provided in support of the alleged date of entry
5 was clearly falsified, a fact that suggested that the intervening
6 appellees "did not choose [their] sauce label in good faith."
7 Id. at 1862. In a later opinion granting Patsy's Brand's motion
8 for summary judgment in the sauce litigation, the district court
9 again reiterated its findings that the intervening appellees
10 presented falsified evidence and ordered them to show cause why
11 they should not be sanctioned for doing so. Patsy's Brand Inc.
12 v. I.O.B. Realty Inc. ("Patsy's Brand II"), 58 U.S.P.Q.2d 1048,
13 1050, 1059 (S.D.N.Y. 2001). The district court sanctioned the
14 intervening appellees and enjoined them from petitioning to
15 cancel Patsy's Brand's registrations for sauces, other packaged
16 food products, and restaurant services. In addition, it directed
17 the Commissioner of the PTO to cancel the intervening appellees'
18 '110 Registration.

19 On October 18, 2001, Patsy's Brand filed a motion with the
20 PTO requesting that the cancellation proceedings be reinstated.
21 This request led to the subsequent judgment cancelling the
22 intervening appellees' '110 Registration on September 4, 2002.
23 However, after Patsy's Brand filed its request, the intervening
24 appellees filed a notice of appeal in the sauce litigation.
25 Notably, this appeal did not challenge the portion of the

1 injunction that enjoined them from petitioning to cancel Patsy's
2 Brand's registrations for restaurant services. Patsy's Brand,
3 Inc. v. I.O.B. Realty, Inc. ("Patsy's Brand III"), 317 F.3d 209,
4 219-21 (2d Cir. 2003). On January 16, 2003, we affirmed the
5 sanctions against the intervening appellees, struck the provision
6 cancelling the intervening appellees' '110 Registration, and
7 stated "that the injunction should be confined to the marketing
8 of pasta sauce and food products and should not reach the
9 [intervening appellees'] restaurant business" Id. at
10 221-22.

11 On May 27, 2003, the Commissioner erroneously cancelled the
12 intervening appellees' '110 Registration and '574 Registration.
13 On July 13, 2007, after realizing the previous order was
14 erroneous, the Commissioner issued an order cancelling the
15 registrations due to I.O.B. Realty's failure to file declarations
16 of continuing use pursuant to 15 U.S.C. § 1058.

17 c) The Current Action

18 On February 17, 2006, appellants brought suit against the
19 Staten Island appellees for federal and common law trademark
20 infringement, injury to business reputation, and common law
21 unfair competition. The Staten Island location closed in
22 September 2006. During the course of settlement negotiations,
23 appellants discovered that the Syosset location was preparing to
24 open. On October 30, 2006, appellants brought suit against the
25 Syosset appellees for federal and common law trademark

1 infringement, federal and common law unfair competition, false
2 designation of origin, and injury to business reputation. The
3 two actions were then consolidated, and I.O.B. Realty and Patsy's
4 Inc. intervened, alleging that they had prior use rights to
5 PATSY'S for restaurant services. On November 26, 2006, the
6 Syosset appellees, I.O.B. Realty, and Patsy's Inc. filed a
7 counterclaim seeking a declaration either that appellees did not
8 infringe appellants' marks or that those marks were invalid.
9 After appellants sought a temporary restraining order, Judge
10 Irizarry issued an order allowing the Syosset appellees to open
11 the Syosset location as long as the words "Trattoria Impazzire"
12 were not used with any materials associated with the restaurant.²

13 In March 2007, appellees filed a motion for summary judgment
14 before the district judge seeking restoration of the '574
15 Registration, cancellation of appellants' '836 Registration and
16 '866 Registration, and the dismissal of appellants' claims. The
17 district judge granted restoration of the '574 Registration, but
18 denied summary judgment on appellants' claims and the request for
19 the cancellations. See generally Patsy's Italian Rest., Inc. v.
20 Banas ("Patsy's Italian Rest. I"), 508 F. Supp. 2d 194 (E.D.N.Y.
21 2007). The district court also rejected appellants' argument

² The district court did this because "trattoria" means "restaurant" in Italian, and allowing appellees to use the words "Trattoria Impazzire" on the facade of the Syosset location would add to the consumer confusion caused by the use of appellants' mark and name in connection with restaurant services.

1 that the injunction from the sauce litigation prohibited
2 appellees from seeking such relief on the ground that the
3 injunction applied only to registrations owned by Patsy's Brand.
4 See id. at 214, 216. Patsy's Italian Restaurant, Inc. owned the
5 registrations at issue. Id. at 214.

6 The parties proceeded to a jury trial before the magistrate
7 judge. The jury found that: (i) I.O.B. Realty was the senior
8 user of the marks PATSY'S and PATSY'S PIZZERIA, and continuously
9 used the marks for pizzeria services but not restaurant services;
10 (ii) there was a likelihood of confusion between appellees' marks
11 and appellants' '836 and '866 Registrations; (iii) the Staten
12 Island and Syosset appellees had exceeded the scope of their
13 license with I.O.B. Realty; (iv) I.O.B. Realty had abandoned its
14 marks through naked licensing -- i.e., a lack of adequate quality
15 control over goods and services sold under the mark by the
16 licensees; (v) the Staten Island appellees engaged in unfair
17 competition and infringed appellants' federal and common law
18 marks, but the infringement was not willful; (vi) the Syosset
19 appellees engaged in unfair competition and willfully infringed
20 appellants' federal and common law marks; (vii) both the Staten
21 Island appellees and the Syosset appellees were likely to injure
22 appellants' business reputation; (viii) appellees fraudulently
23 obtained the '574 Registration; and (ix) appellants did not
24 fraudulently obtain either the '836 Registration or the '866
25 Registration.

1 After trial, appellants sought an injunction preventing the
2 Syosset appellees from using the mark PATSY'S. Although this
3 initial request was denied, on April 17, 2008, the district court
4 ordered the Syosset location to put up a 24" x 24" sign in its
5 front door that contained, in red capital letters, the statement:
6 "WE ARE NOT AFFILIATED WITH PATSY'S ITALIAN RESTAURANT LOCATED AT
7 236 WEST 56TH STREET, NEW YORK, NY."

8 On September 9, 2008, the district court issued a decision
9 dealing with the post-trial issues. See generally Patsy's
10 Italian Rest., Inc. v. Banas ("Patsy's Italian Rest. IV"), 575 F.
11 Supp. 2d 427 (E.D.N.Y. 2008). It denied appellees' motions for
12 judgment as a matter of law because appellees failed to make such
13 requests during trial. Id. at 445. The district court also
14 denied appellees' various motions for a new trial. Id. at 446-
15 54. Nevertheless, while the district court denied appellees'
16 motion for a new trial with regard to the abandonment of their
17 marks, the district court granted their motion to interpret the
18 abandonment verdict narrowly. See id. at 450, 453. Concluding
19 that the jury's verdict of abandonment was based on naked
20 licensing but that the jury had not addressed the geographic
21 scope of the naked licensing, id. at 450, 452, the district court
22 determined that appellees had abandoned their marks only in
23 Staten Island and Syosset. Id. at 452-53.

24 With regard to the parties' service mark registrations, the
25 district court superseded the prior order reinstating appellees'

1 '574 Registration, thus refusing reinstatement of the
2 registration, reasoning that the jury's verdicts precluded such
3 relief. Id. at 463, 468-69, 469 n.28. However, the district
4 court also determined that appellants' '836 and '866
5 Registrations should be cancelled due to appellees' limited
6 remaining rights in their marks. Id. at 463, 465.

7 Addressing injunctive relief, the district court permanently
8 enjoined the Syosset appellees from using the words "Trattoria
9 Impazzire" in connection with their establishment. Id. at 469.
10 Additionally, the district court required the Syosset appellees
11 to maintain the previously imposed disclaimer sign for not less
12 than three years from the entry of judgment. Id. The district
13 court denied appellants' requests for further injunctive relief,
14 as well as appellees' request for injunctive relief. Id. at 469-
15 70. However, the district court went on to enter an injunction
16 prohibiting both Patsy's Italian Restaurant and Patsy's Pizzeria
17 from using the term PATSY'S alone in connection with their
18 establishments. Id. at 470-71.

19 Finally, the district court denied appellants' request for
20 attorneys' fees. Id. at 471.

21 DISCUSSION

22 a) Patsy's Italian Restaurant's Appeal: Merits

23 1) Cancellation of Appellants' Registrations

24 Patsy's Italian Restaurant advances several arguments that
25 the district court erred in cancelling the '836 and '866

1 Registrations. We address them seriatim.

2 A) Cancellation Not Barred by the Prior Injunction

3 Appellants argue that the injunction in the sauce litigation
4 prohibited appellees from seeking cancellation.

5 The injunction issued in the sauce litigation provided, in
6 relevant part:

7 That Defendants [I.O.B. Realty, Patsy's Inc.,
8 Brija, Breceovich, and Nick Tsoulos], their
9 successors, assigns, officers, directors,
10 servants, employees, distributors, customers,
11 representatives, agents and attorneys, and
12 all persons in active concert and
13 participation with them, or any of them, be
14 and they are hereby permanently restrained
15 and enjoined:

16 . . .
17 e. from opposing any application for
18 registration or petitioning to cancel any
19 registration of Plaintiff [Patsy's Brand] for
20 any trademark incorporating PATSY'S for
21 sauces or other packaged food products or
22 restaurant services

23
24 The district court held that the sauce litigation injunction
25 applied only to registrations owned by Patsy's Brand and not to
26 those owned by Patsy's Italian Restaurant, Inc.

27 We review a district court's interpretation of another
28 court's order de novo. See United States v. Spallone, 399 F.3d
29 415, 423 (2d Cir. 2005). In doing so, we apply traditional
30 principles of contract law and look to the intent of the issuing
31 court. See Mastrovincenzo v. City of New York, 435 F.3d 78, 103
32 (2d Cir. 2006); Spallone, 399 F.3d at 424. Under traditional
33 principles of contract law, "[a] contract should be construed so

1 as to give full meaning and effect to all of its provisions.'"
2 PaineWebber Inc. v. Bybyk, 81 F.3d 1193, 1199 (2d Cir. 1996)
3 (quoting Am. Express Bank Ltd. v. Uniroyal, Inc., 562 N.Y.S.2d
4 613, 614 (1st Dep't 1990)) (alteration in original).

5 Appellants essentially argue that we should read "Plaintiff"
6 to include not just Patsy's Brand but also its associate, Patsy's
7 Italian Restaurant, Inc. However, that would impermissibly
8 stretch the injunction's language. Whereas "Defendants," as used
9 in the order, specifically includes "their successors, assigns,
10 officers, directors, servants, employees, distributors,
11 customers, representatives, agents and attorneys, and all persons
12 in active concert and participation with them, or any of them,"
13 the word "Plaintiff" lacks any such expansion. Injunctions are
14 serious orders, enforceable in contempt proceedings, and such an
15 order must give notice of the specific conduct ordered or
16 prohibited. See Fed. R. Civ. P. 65(d) (requiring that "[e]very
17 order granting an injunction . . . must . . . state its terms
18 specifically . . . and . . . describe in reasonable detail . . .
19 the act or acts restrained or required.") We therefore read
20 "Plaintiff" to refer only to the party bringing the action.

21 This interpretation is fully consistent with the context in
22 which the injunction was issued. Patsy's Italian Restaurant and
23 Patsy's Pizzeria had co-existed peacefully for quite some time.
24 See Patsy's Brand III, 317 F.3d at 212-13, 216. This co-
25 existence ended only when both parties sought to enter the

1 packaged foods market. See id. at 212-15. In the sauce
2 litigation, appellees had sought to cancel only Patsy's Brand's
3 registrations and committed misconduct only with regard to the
4 date of first use of their sauces. See id. at 214-15. Thus, the
5 injunction does not bar appellees' counterclaim.³

6 B) Patsy's Pizzeria Only Partially Abandoned Its Marks

7 The district court's decision to cancel appellants' '836 and
8 '866 Registrations pursuant to section 37 of the Lanham Act,

³ Appellants also argue that the district court erred in even considering the cancellation counterclaim because the Syosset appellees sought cancellation only due to prior use, not likelihood of confusion. However, the counterclaim states that "[Patsy's Italian Restaurant] has no intellectual property rights to the word PATSY'S when used with the word PIZZERIA. Therefore, there is no infringement of the Patsy's Restaurant Marks or, if the marks of these registrations are infringed by the Defendants' use of the mark PATSY'S PIZZERIA with pizzeria services, the registrations are invalid." This language can reasonably be read to include a counterclaim for cancellation due to a likelihood of confusion.

Moreover, appellants filed the motion to dismiss the counterclaim on this ground only months after the district court denied appellees' motion for summary judgment seeking cancellation of appellants' trademark registrations due to prior use. As the district court then noted, the counterclaim seeking cancellation due to prior use necessarily required the additional showing of a likelihood of confusion. See Patsy's Italian Rest. I, 508 F. Supp. 2d at 215 (citing Sterling Drug, Inc. v. Bayer AG, 14 F.3d 733, 743 (2d Cir. 1994)). Nevertheless, appellants did not argue at the summary judgment stage that the Syosset appellees' counterclaim seeking cancellation of their marks was not included within the pleadings. Nor do appellants point to any other instance throughout the litigation where they raised this issue in a motion, either to dismiss or otherwise, so that the district court could properly address it. Having actually litigated the issue during the trial, without raising any objections, "appellants impliedly consented to trial on this issue, within the meaning of Fed. R. Civ. P. 15(b)." Snell v. Suffolk County, 782 F.2d 1094, 1102 (2d Cir. 1986).

1 codified as amended at 15 U.S.C. § 1119, depended on its
2 conclusion that I.O.B. Realty had retained some rights even after
3 the jury's abandonment finding. Patsy's Italian Rest. IV, 575 F.
4 Supp. 2d at 465-68. The district court concluded that, because
5 the jury found that I.O.B. Realty continuously used the marks,
6 the finding of abandonment had to have been based on a finding of
7 naked licensing. Id. at 452. Appellants do not challenge this
8 reasoning, but argue, rather, that the jury's verdict was one of
9 total abandonment.

10 A district court's determination to grant relief pursuant to
11 15 U.S.C. § 1119 is reviewed for an abuse of discretion. See
12 Empresa Cubana del Tabaco v. Culbro Corp., 541 F.3d 476, 478 (2d
13 Cir. 2008) ("[S]ection 1119's use of the permissive 'may' in
14 authorizing courts to grant relief, [is] distinct from its use of
15 the mandatory 'shall' in requiring any orders or decrees that are
16 entered to be sent to and followed by the PTO."). Appellants
17 argue that our review should be de novo because the district
18 court based its decision "on [its] disagreement with the jury's
19 fact findings and [its] misreading of the Lanham Act."
20 Appellant's Br. at 47. However, while claims of factual error or
21 mistakes of law may inform the determination of abuse of
22 discretion, they do not alter the standard of review.

23 Appellants first argue that any finding of naked licensing
24 necessarily acted as a total abandonment of all rights. We
25 disagree. Although some forms of trademark abandonment may

1 result in a loss of all rights in the mark, see e.g.,
2 Feathercombs, Inc. v. Solo Prods. Co., 306 F.2d 251, 256 (2d Cir.
3 1962), abandonment of a mark through naked licensing has
4 different effects on the validity of the mark in different
5 markets. See Dawn Donut Co. v. Hart's Food Stores, Inc., 267
6 F.2d 358, 369 (2d Cir. 1959) (a finding of naked licensing in the
7 retail market would not result in the loss of trademark rights in
8 the wholesale market). For example, if a restaurant operates in
9 both New York and California, but engages in naked licensing only
10 in California, the restaurant's registered mark may lose its
11 significance in California while retaining its significance in
12 New York. Thus, naked licensing will lead to an abandonment of a
13 mark only where the mark loses its significance. 15 U.S.C. §
14 1127.

15 As a result, we agree with the district court that a mark
16 owner can abandon a mark through naked licensing in a particular
17 geographic area without abandoning its rights throughout the
18 entire United States. See also Tumblebus Inc. v. Cranmer, 399
19 F.3d 754, 765-66 (6th Cir. 2005) (recognizing that "there is
20 considerable support for the concept that rights in a mark may be
21 abandoned in certain geographic areas but not others"); Sheila's
22 Shine Prods., Inc. v. Sheila Shine, Inc., 486 F.2d 114, 125 (5th
23 Cir. 1973) (recognizing abandonment in some areas but not
24 others); E.F. Prichard Co. v. Consumers Brewing Co., 136 F.2d
25 512, 521-22 (6th Cir. 1943); Snuffer & Watkins Mgmt. Inc. v.

1 Snuffly's Inc., 17 U.S.P.Q.2d 1815, 1816 (T.T.A.B. 1990)
2 ("Accordingly, an allegation of abandonment in a specific
3 geographic location is an insufficient pleading in a cancellation
4 proceeding."); 3 J. Thomas McCarthy, McCarthy on Trademarks and
5 Unfair Competition § 18:48 (4th ed. 2008).⁴

6 The district court limited the scope of I.O.B. Realty's
7 abandonment pursuant to Fed. R. Civ. P. 49(a)(3) ("A party waives
8 the right to a jury trial on any issue of fact raised by the
9 pleadings or evidence but not submitted to the jury unless,
10 before the jury retires, the party demands its submission to the
11 jury. If the party does not demand submission, the court may
12 make a finding on the issue. . . .").

13 In its answer to a special interrogatory, the jury concluded
14 that Patsy's Pizzeria abandoned its marks. Patsy's Italian
15 Restaurant argues that the verdict encompassed the Staten Island
16 location, the Syosset location, and all Manhattan locations other
17 than the East Harlem location. We disagree.⁵

⁴ Apart from arguing total abandonment, Patsy's Italian Restaurant does not contest the geographical divisions the district court adopted in determining the scope of I.O.B. Realty's abandonment through naked licensing.

⁵ Appellants also argue that the district court's decision to cancel appellees' '574 mark conflicts with the conclusion that appellees retained some rights in the mark because the cancellation was based, in part, on the jury finding of abandonment. However, the court did not rely solely on the finding of abandonment in cancelling the registration, but on a combination of fraud and partial abandonment of the mark. See Patsy's Italian Restaurant IV, 575 F. Supp. 2d at 469 ("I.O.B. Realty's fraudulent statements to the PTO and TTAB, and its

1 "[S]pecial interrogatories must be read in conjunction with
2 the district court's charge." Romano v. Howarth, 998 F.2d 101,
3 104 (2d Cir. 1993) (internal quotation marks omitted). The jury
4 was asked to determine whether there was abandonment but not the
5 geographic scope of any such abandonment. Appellants requested
6 no instruction on whether the naked licensing was limited to
7 certain entities or certain geographical areas. While the
8 abandonment instructions never identified as their subject the
9 specific licenses granted to the Staten Island location or the
10 Syosset location, those are the entities that were the subject of
11 the naked licensing claim at trial. Therefore, the district
12 court properly resolved the scope of abandonment issue pursuant
13 to Fed. R. Civ. P. 49(a)(3).

14 Finally, Patsy's Italian Restaurant argues that Patsy's
15 Pizzeria's limited rights in the Manhattan area do not warrant
16 cancellation of their registration. They contend that they are
17 entitled to expand nationwide because Patsy's Pizzeria's rights
18 are limited. Moreover, they suggest that the expansion by
19 Patsy's Pizzeria outside Manhattan that caused the likelihood of
20 confusion occurred after their applications for registration were
21 filed. They argue, therefore, that the cancellation was in

limited abandonment through naked licensing . . . warrants
cancelling the '574 Registration." (emphasis added)). Therefore,
the decision to cancel appellees' '574 Registration and the
conclusion that they still retained some limited rights in the
mark are not in conflict.

1 violation of their rights and should not affect their
2 registrations. We disagree.

3 Local rights owned by another have been consistently viewed
4 as sufficient to prevent a party from obtaining registration of a
5 federal mark. See Giant Food, Inc. v. Nation's Foodservice,
6 Inc., 710 F.2d 1565, 1571 (Fed. Cir. 1983) (refusing registration
7 due to likelihood of confusion, even where there was no evidence
8 of actual confusion "mainly [due] to the geographical separation
9 of the two parties' operations"); Peopleware Sys., Inc. v.
10 Peopleware, Inc., 226 U.S.P.Q. 320, 321 (T.T.A.B. 1985) (noting
11 that "geographical separation of the parties' principal places of
12 business cannot be considered to be of significance in
13 determining registrability of applicant's mark since it seeks a
14 geographically unrestricted registration"); 3 J. Thomas McCarthy,
15 McCarthy on Trademarks and Unfair Competition § 20:15 (4th ed.
16 2008) ("Geographical separation of the parties is not relevant in
17 an opposition."). Indeed, this is consistent with the principle
18 in trademark law "that the second comer has a duty to so name and
19 dress his product [or service] as to avoid all likelihood of
20 consumers confusing it with the product [or service] of the first
21 comer." Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc., 281
22 F.2d 755, 758 (2d Cir. 1960).

23 Because registration of a federal mark confers upon the
24 owner of the mark a presumption that the owner has the exclusive
25 right to use the mark nationwide, 15 U.S.C. § 1115(a), it is

1 proper to consider the rights of users nationwide when
2 determining whether a party is entitled to registration of their
3 mark. See 3 J. Thomas McCarthy, McCarthy on Trademarks and
4 Unfair Competition § 20:15 (4th ed. 2008). In fact, Section
5 1052(d) itself provides that a mark cannot be registered if it
6 “[c]onsists of or comprises a mark which so resembles a mark
7 registered in the Patent and Trademark Office, or a mark or trade
8 name previously used in the United States and not abandoned, as
9 to be likely . . . to cause confusion” 15 U.S.C. §
10 1052(d). Thus, the very language of the statute contemplates
11 that a mark used anywhere in the United States can be sufficient
12 to block federal registration. See id.

13 In these circumstances, the principles applicable to the
14 initial registrability of a mark should also be applied to a
15 claim seeking the cancellation of a registration that has not yet
16 become incontestable pursuant to Section 1065. Id. § 1065.
17 Young v. AGB Corp., 152 F.3d 1377, 1380 (Fed. Cir. 1998) (“The
18 linguistic and functional similarities between the opposition and
19 cancellation provisions of the Lanham Act mandate that we
20 construe the requirements of these provisions consistently.
21 There is no basis for interpreting them differently.”) (internal
22 citations omitted); 3 McCarthy on Trademarks and Unfair
23 Competition § 20:52 (“[F]or Principal Register marks not yet five
24 years on the register, cancellation may be based on any ground in
25 the Lanham Act that would have barred registration in the first

1 instance."). Cf. 15 U.S.C. § 1064 (limiting the grounds on which
2 cancellation can be sought after the mark has been registered for
3 five years).

4 In conclusion, the district court did not abuse its
5 discretion by cancelling appellants' registrations.
6 Nevertheless, the lack of a federal registration does not prevent
7 Patsy's Italian Restaurant or Patsy's Pizzeria from expanding as
8 they so desire, so long as they respect each other's existing
9 rights. Rather, the cancellation simply precludes appellants
10 from utilizing the statutory presumptions and other benefits
11 conferred to a mark owner through federal registration. See 15
12 U.S.C. § 1115 (setting forth the evidentiary presumptions a mark
13 owner is entitled to and limiting the defenses against an
14 incontestable registration); cf. id. § 1125(a) (providing a
15 federal cause of action for infringement of an unregistered
16 mark).

17 C) Jury Instructions Pursuant to Grants of Judgment as
18 a Matter of Law

19
20 Appellants argue that the district court erroneously
21 instructed the jury that there was privity as a matter of law
22 between the purported predecessors of I.O.B. Realty and I.O.B.
23 Realty as well as between I.O.B. Realty and the Syosset and
24 Staten Island appellees. The instruction being a question of
25 law, we review it de novo. See Wilkinson ex rel. Wilkinson v.
26 Russell, 182 F.3d 89, 96 (2d Cir. 1999). However, appellants

1 waived any claim of error regarding the privity issue by failing
2 to raise them with the district court. See Gwozdziński ex rel.
3 Revco D.S., Inc. v. Magten Asset Mgmt. Corp., 106 F.3d 469, 472
4 (2d Cir. 1997). Appellants made no objection whatsoever to the
5 finding of privity between I.O.B. Realty's predecessors and
6 I.O.B. Realty. As for the finding of privity between I.O.B.
7 Realty and the other defendants, counsel for appellants stated
8 only that: "we object to reference to the license agreement as
9 being a valid agreement Perhaps you could take out the
10 word 'valid'; then there would be more consistency there."
11 Later, appellants clarified their objection stating "[w]e don't
12 believe that a naked license is a valid license." Notably, the
13 issue of naked licensing went to the jury.

14 Appellants similarly challenge the district court's
15 instruction to the jury that there was, as a matter of law, use
16 of the marks in interstate commerce. They argue in that regard
17 that appellees were required to demonstrate use in interstate
18 commerce as part of their prior use defense because a mark must
19 be used in interstate commerce in order to be eligible for
20 federal registration.

21 No provision of the Lanham Act supports that contention.
22 The Lanham Act merely provides that a mark is not registrable if
23 there is a likelihood of confusion between that mark and "a mark
24 or trade name previously used in the United States by another and
25 not abandoned" 15 U.S.C. § 1052(d). A party need not

1 meet the statutory requirement of use in interstate commerce to
2 oppose, or seek cancellation of, a registration based on
3 confusion. See id.; First Niagara Ins. Brokers, Inc. v. First
4 Niagara Fin. Grp., Inc., 476 F.3d 867, 870-71 (Fed. Cir. 2007).
5 Likewise, prior use as a defense against a trademark infringement
6 suit does not require use in commerce. See 15 U.S.C. §
7 1115(b)(6). Indeed, as discussed above, even appellees' local
8 rights would be sufficient to warrant cancellation of appellants'
9 marks due to a likelihood of confusion. See 3 McCarthy on
10 Trademarks and Unfair Competition § 20:15.

11 Nevertheless, even if use in commerce had to be shown, the
12 evidence showed such use as a matter of law. Due to the
13 different nature of the marks, "use in commerce" is defined
14 differently for trademarks and service marks. See 15 U.S.C. §
15 1127. A service mark is used in commerce when, among other
16 things, "it is used or displayed in the sale or advertising of
17 services and the services are rendered in commerce," where
18 "commerce" includes "all commerce which may lawfully be regulated
19 by Congress." Id. We have previously recognized that this broad
20 definition reflects "Congress's intent to legislate to the limits
21 of its authority under the Commerce Clause." Buti v. Perosa,
22 S.R.L., 139 F.3d 98, 102 (2d Cir. 1998) (internal quotation marks
23 omitted).

24 Appellants rely on the failure to show use of the mark in
25 advertising materials, but there is no requirement that a mark be

1 so used. Rather, it is enough to show use or a display of the
2 mark in the sale of services rendered in commerce, 15 U.S.C. §
3 1127, as was the case here. Appellees' mark was prominently
4 displayed on numerous versions of the Patsy's Pizzeria menu
5 entered into evidence as well as displayed on the exterior of the
6 East Harlem building.

7 Additionally, these services were rendered in commerce. The
8 provision of services to interstate customers is sufficient to
9 show that the services were rendered in commerce. See Larry
10 Harmon Pictures Corp. v. Williams Rest. Corp., 929 F.2d 662, 666
11 (Fed. Cir. 1991); Application of Gastown, Inc., 326 F.2d 780,
12 782-83 (C.C.P.A. 1964). A map in evidence demonstrates that
13 Patsy's Pizzeria is easily accessible from several nearby
14 interstate highways. Numerous articles about Patsy's Pizzeria
15 were also in evidence, including one from the New York Times,
16 which undoubtedly extends to an interstate audience.
17 Furthermore, reviews for Patsy's Pizzeria from guides such as the
18 2003 Not For Tourists Guide to New York City and the 2004 Zagat
19 Survey for New York City Restaurants were also entered into
20 evidence. Finally, there was testimony that cab drivers knew
21 where Patsy's Pizzeria was, that people "[came] from all over" to
22 go there, and even that pizza was shipped to the west coast.
23 Thus, the district court properly instructed the jury to find
24 that appellees used their mark in interstate commerce as a matter
25 of law.

1 2) Denial of Attorneys' Fees

2 Patsy's Italian Restaurant appeals the district court's
3 denial of its request for attorneys' fees. Patsy's Italian Rest.
4 IV, 575 F. Supp. 2d at 471. Section 35(a) of the Lanham Act,
5 codified as amended at 15 U.S.C. § 1117(a), provides that "[t]he
6 court in exceptional cases may award reasonable attorney fees to
7 the prevailing party." Thus, in order to be entitled to
8 attorneys' fees, the party must be the "prevailing party" and the
9 case must be "exceptional," or, in other words, involve fraud,
10 bad faith, or willful infringement. Patsy's Brand III, 317 F.3d
11 at 221. Even then the statute provides only that the district
12 court "may" award attorneys' fees. See 15 U.S.C. § 1117(a). As
13 a result, we review the district court's decision for an abuse of
14 discretion. See Quaker State Oil Refining Corp. v. Kooltone,
15 Inc., 649 F.2d 94, 95-96 (2d Cir. 1981) (per curiam).

16 Appellants argue that the district court erred because it
17 held that they were not a prevailing party. We disagree with
18 that characterization of the district court's holding. To be
19 sure, some of the district court's statements, if read in
20 isolation, could be read to suggest that appellants were not a
21 prevailing party. However, the district court explicitly
22 exercised its discretion not to award. See Patsy's Italian Rest.
23 IV, 575 F. Supp. 2d at 471 ("[T]he Court does not find this case
24 is so 'exceptional' as to justify an award of attorneys' fees
25 The Court thus exercises its discretion and denies

1 Plaintiffs' motion for attorneys' fees."). Given the facts of
2 this case and the mixed outcome of the litigation, the district
3 court clearly did not abuse its discretion in so ruling.⁶

4 b) Patsy's Pizzeria's Cross-Appeal: Merits

5 1) Limitation of Appellees' Rights to Pizzeria Services

6 Patsy's Pizzeria argues that the district court erred by
7 including the distinction between general restaurant services
8 and pizzeria services in the jury instructions and special
9 verdict sheet when no definition of pizzeria services was

⁶ Appellants also claim that the district court erred when it refused to admit as evidence certified government records of a fire into evidence. These records, they claim, show that Patsy's Pizzeria was operating solely as a pizzeria and not a restaurant at the time of the fire. These records were not offered until after the record was closed. "A motion to reopen the record for the presentation of new evidence is addressed to the sound discretion of the trial court" and is reviewed for an abuse of discretion. DiBella v. Hopkins, 403 F.3d 102, 119 (2d Cir. 2005) (internal quotation marks and alteration omitted). Appellants offered no reason for not obtaining the certified records earlier. Thus, the district court did not abuse its discretion by declining to admit the records.

Additionally, appellants argue that appellees' evidence of prior use was misleading based on the discovery of photographs said to contradict the testimony of appellees' witnesses. They contend that the district court erred by refusing to take into account the misleading nature of the evidence when cancelling appellants' marks. Instead, the district court relied on the jury's verdict of prior use.

A district court has considerable discretion in determining whether to grant equitable relief. See Bano v. Union Carbide Corp., 361 F.3d 696, 716 (2d Cir. 2004). The district court did not abuse its discretion by relying on a valid jury verdict when fashioning equitable relief. Nor did the district court abuse its discretion by failing to consider appellants' photographs, which were not admitted into evidence.

1 offered.⁷ It asserts that the lack of a definition is
2 particularly important because it misled the jury into
3 believing this distinction is recognized at law, and the jury's
4 special verdicts on many of the issues turned on the definition
5 of pizzeria services. We disagree. The court was not obliged
6 to define pizzeria services for the jury because the jury was
7 capable of determining the meaning of that term, which is
8 neither technical nor ambiguous. United States v. Morris, 928
9 F.2d 504, 511 (2d Cir. 1991) ("Since the word is of common
10 usage, without any technical or ambiguous meaning, the Court
11 was not obliged to instruct the jury on its meaning.") (citing
12 United States v. Chenault, 844 F.2d 1124, 1131 (5th Cir. 1988).

13 Patsy's Pizzeria also suggests that the distinction
14 between pizzeria services and restaurant services was
15 inappropriate because the classification system used by the PTO
16 does not distinguish between the two services, providing only
17 the category of "restaurant services." This argument
18 misunderstands the purpose of the PTO's classification system.
19 The PTO's classifications exist solely for administrative
20 purposes, and does not affect the substantive rights of a
21 mark's owner in any way. See 15 U.S.C. § 1112 ("The Director
22 may establish a classification of goods and services, for

⁷ Patsy's Italian Restaurant claims that Patsy's Pizzeria waived any such objections to the jury instructions. The record is unclear in this regard, and we therefore address the merits.

1 convenience of Patent and Trademark Office administration, but
2 not to limit or extend the applicant's or registrant's
3 rights."). Rather, Patsy's Pizzeria's substantive rights are
4 defined by the scope of the services used in connection with
5 the mark. See In re Trade-Mark Cases, 100 U.S. 82, 94 (1879);
6 ITC Ltd. v. Punchqini, Inc., 482 F.3d 135, 146 (2d Cir. 2007).

7 Patsy's Pizzeria further argues that there was no evidence
8 to support the jury's finding that they did not provide
9 restaurant services and use for pizzeria services. We
10 disagree. Patsy's Pizzeria's argument appears to rely heavily
11 on their claim that pizzeria services are limited to businesses
12 serving pizza only by the slice. However, as noted, Patsy's
13 Pizzeria did not request that the district court provide this
14 definition in the jury instructions, and there is no manifest
15 injustice in the district court's failure to do so. Without a
16 definition, it was up to the jury to determine the appropriate
17 distinction, and there was sufficient evidence to support its
18 determination.

19 For example, the jury had before it a variety of menus,
20 including the menus for various Patsy's Pizzeria locations,
21 Patsy's Italian Restaurant's menu, and menus from Pizza Hut and
22 Dominos Pizza. They were able to compare those to determine
23 whether there was a distinction between the services provided
24 and, if so, what that distinction was. In addition, during the
25 trial, the deposition testimony of a Patsy's Pizzeria

1 franchisee was read into the record, in which the franchisee
2 stated that in “[p]izzerias you just serve pizza,” and a
3 witness for Patsy’s Italian Restaurant also gave a similar
4 definition. Thus, there was sufficient evidence to permit the
5 jury to draw the distinction in question.

6 There was also sufficient evidence to support the jury’s
7 verdict that Patsy’s Pizzeria’s rights were limited to pizzeria
8 services. Patsy’s Pizzeria argues that there was no evidence
9 that they served solely pizza, and, indeed, that they
10 demonstrated that they continuously sold a variety of foods.
11 Having conceded that they failed to file a motion for judgment
12 as a matter of law, appellants merely seek a new trial on this
13 ground. As we have previously explained, “[w]here a jury’s
14 verdict is wholly without legal support, we will order a new
15 trial in order to prevent a manifest injustice[,]’ despite an
16 appellant’s failure to move for a directed verdict.” Russo v.
17 New York, 672 F.2d 1014, 1022 (2d Cir. 1982) (quoting Sojak v.
18 Hudson Waterways Corp., 590 F.2d 53, 54-55 (2d Cir. 1978)).

19 There was no manifest injustice calling for a new trial.
20 With regard to the element of continuous provision of
21 restaurant services, the 1991 contract of sale transferring
22 ownership to I.O.B. Realty states that the East Harlem
23 location’s restaurant section was closed, and I.O.B. Realty
24 agreed only to provide pizzeria services during a specified
25 period of time. Evidence introduced by Patsy’s Pizzeria itself

1 suggests a focus on only pizza. For example, franchisees were
2 trained regarding how to make pizza the Patsy's way, and one
3 franchisee testified to the purchase of a \$75,000 pizza oven
4 because their "focus was on the pizza." Additionally, the jury
5 was shown a documentary that discussed how the original Patsy's
6 Pizzeria was the first pizzeria to sell pizza by the slice.
7 Thus, Patsy's Pizzeria is not entitled to a new trial on the
8 ground of manifest injustice.

9 2) Fraud on the PTO

10 Appellees challenge the jury's verdict that they made
11 fraudulent statements to the PTO. Generally, a party alleging
12 that a registration was fraudulently obtained must prove the
13 following elements by clear and convincing evidence:

- 14 1. A false representation regarding a
15 material fact.
- 16 2. The person making the representation
17 knew or should have known that the
18 representation was false ("scienter").
- 19 3. An intention to induce the listener
20 to act or refrain from acting in
21 reliance on the misrepresentation.
- 22 4. Reasonable reliance on the
23 misrepresentation.
- 24 5. Damage proximately resulting from
25 such reliance.

1 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair
2 Competition § 31:61 (4th ed. 2008) (footnote omitted); see also
3 In re Bose, 580 F.3d 1240, 1243 (Fed. Cir. 2009); Quicksilver,
4 Inc. v. Kymsta Corp., 466 F.3d 749, 755 (9th Cir. 2006); United
5 Phosphorus, Ltd. v. Midland Fumigant, Inc., 205 F.3d 1219, 1226
6 (10th Cir. 2000).

7 Appellees argue that the jury's verdict that they made
8 fraudulent statements to the PTO either relied on facts that,
9 even if proven, were insufficient as a matter of law, or was
10 supported by legally insufficient evidence.⁸ Again, because
11 appellees failed to move for a directed verdict, they are
12 limited to seeking a new trial, which we will grant only if
13 necessary to prevent manifest injustice when "a jury's verdict
14 is wholly without legal support." Russo, 672 F.2d at 1022.

15 Appellants claimed that I.O.B. Realty committed fraud in
16 its application for the '574 Registration for PATSY'S PIZZERIA
17 for restaurant services by: (i) the statement that "the mark
18 was used continuously for restaurant services since 1933"; (ii)
19 the statement that they "believed I.O.B. Realty had the

⁸ Appellees also argue that the district court should have vacated the jury's verdicts that appellants did not commit fraud on the PTO. We see no merit in this argument for the reasons stated by the district court. Nevertheless, we also note that a verdict finding fraud would result only in the cancellation of appellants' registrations. See Orient Express Trading Co. v. Federated Dep't Stores, Inc., 842 F.2d 650, 654 (2d Cir. 1988). Thus, because we affirm the district court's cancellation of appellants' registrations on other grounds, see supra, we need not address this argument.

1 exclusive right to use the name PATSY'S PIZZERIA or any mark
2 similar thereto for restaurant services and that no one else
3 had the right to use that name"; and (iii) their failure to
4 tell the PTO about Patsy's Brand's Registration No. 1,874,789
5 for PATSY'S for pasta sauces, even though they were petitioning
6 to cancel that mark on the ground that it was confusingly
7 similar to the mark PATSY'S PIZZERIA for restaurant services.

8 Appellees argue that there was insufficient evidence that
9 I.O.B. Realty knew that statement (i) was a misrepresentation
10 because the jury found I.O.B. Realty continuously used the
11 marks PATSY'S and PATSY'S PIZZERIA, and thus was the senior
12 user. Appellees additionally argue that statements (ii) and
13 (iii) were insufficient as a matter of law because they had no
14 obligation to inform the PTO of junior users. They add that,
15 even if they were legally sufficient, there was insufficient
16 evidence to support the jury's verdict under either (ii) or
17 (iii) because the evidence showed that I.O.B. Realty believed
18 it was the senior user and thus was under no legal obligation
19 to disclose the information.

20 Appellees have failed to meet their burden of showing
21 manifest injustice because the jury's verdict was not wholly
22 without support. There was evidence of fraud in I.O.B.
23 Realty's statement that it had continuously used the mark for
24 restaurant services since 1933. It follows that I.O.B. Realty
25 specified the services in connection with which the mark was

1 used more broadly than it was actually used, a fact they had to
2 have known.

3 "[S]ince a registration is prima facie evidence that the
4 registrant is using the registered mark on the goods or
5 services specified in the registration," 3 J. Thomas McCarthy,
6 McCarthy on Trademarks and Unfair Competition § 19:48 (4th ed.
7 2008), I.O.B. Realty's misrepresentation resulted in a
8 registered mark that was broader in scope than it should have
9 been. As a result, appellees have failed to show that the
10 jury's verdict lacked any legal basis, and they are thus not
11 entitled to a new trial.

12 3) Refusal to Reinstate Registration No. 2,213,574

13 Appellees argue that the district court's refusal to
14 reinstate the '574 Registration for PATSY'S PIZZERIA for
15 restaurant services was erroneous because it was inconsistent
16 with the district court's conclusion that they retained some
17 rights in the mark. As previously discussed, the district
18 court's refusal to reinstate a registration pursuant to 15
19 U.S.C. § 1119 is reviewed for an abuse of discretion. See
20 Empresa, 541 F.3d at 478. Registration provides the mark owner
21 with certain presumptions and additional procedural rights,
22 see, e.g., 15 U.S.C. § 1115, but owners of unregistered marks
23 also retain some, albeit more limited, rights under the Lanham
24 Act. See, e.g., Orient Express Trading Co., 842 F.2d at 654.
25 Specifically, when a party's registered mark is cancelled due

1 to fraud before the PTO, the party can still bring an action as
2 an owner of an unregistered mark for relief pursuant to section
3 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). See Orient
4 Express, 842 F.2d at 653-54. Thus, the district court's
5 determination that I.O.B. Realty's mark should not be restored
6 but that appellants' marks should be cancelled due to I.O.B.
7 Realty's limited remaining rights is not inconsistent in this
8 respect. The jury's fraud verdict fully justified the district
9 court's decision not to restore I.O.B. Realty's registration.
10 We, therefore, need not address appellees' other arguments in
11 that regard.

12 c) Injunctive Relief

13 With regard to the injunction issued by the district
14 court, appellants claim that it erred when it did not enjoin
15 appellees from using the PATSY'S mark in connection with any
16 locations other than those currently located in Manhattan.
17 Appellants and Patsy's Pizzeria both challenge the injunction
18 prohibiting them from using the term PATSY'S alone.

19 A permanent injunction is appropriate where the party
20 seeking the injunction has succeeded on the merits and "show[s]
21 the absence of an adequate remedy at law and irreparable harm
22 if the relief is not granted." Roach v. Morse, 440 F.3d 53, 56
23 (2d Cir. 2006) (internal quotation marks omitted). However,
24 "[i]njunctive relief should be narrowly tailored to fit
25 specific legal violations." Patsy's Brand III, 317 F.3d at 220

1 (internal quotation marks omitted); see also Sterling Drug,
2 Inc. v. Bayer AG, 14 F.3d 733, 750 (2d Cir. 1994) (“The Lanham
3 Act does not require a total ban on the use of a mark by an
4 infringing junior user. To the contrary, the Lanham Act
5 demands that injunctive relief be no broader than necessary to
6 cure the effects of the harm caused.”) (internal quotation
7 marks omitted). Thus, “[i]n fashioning the injunction, the
8 Court should balanc[e] . . . the equities to reach an
9 appropriate result protective of the interests of both
10 parties.” Sterling Drug, 14 F.3d at 747 (internal quotation
11 marks omitted). We review a district court’s determinations
12 regarding the scope of injunctive relief for an abuse of
13 discretion. See id. at 744; Polymer Tech. Corp. v. Mimran, 975
14 F.2d 58, 61 (2d Cir. 1992). We review determinations regarding
15 the authority to enter an injunction de novo. Starter Corp. v.
16 Converse, Inc., 170 F.3d 286, 298 (2d Cir. 1999). In addition,
17 Rule 65(d)(1)(A) of the Federal Rules of Civil Procedure
18 requires that “[e]very order granting an injunction . . . must
19 . . . state the reasons why it issued.” Fed. R. Civ. P.
20 65(d)(1)(A). This requirement ensures that an appellate court
21 is able to understand the reasons for the injunction. See
22 Knox v. Salinas, 193 F.3d 123, 129 (2d Cir. 1999) (per curiam).

23 1) Refusal to Enjoin Appellees From Using PATSY’S Outside
24 of Manhattan
25
26 Appellants argue that the district court should have

1 enjoined appellees from using the mark PATSY'S outside of the
2 current Manhattan locations. In so arguing, they rely on the
3 jury's findings that: (i) the Staten Island and Syosset
4 appellees engaged in trademark infringement, unfair
5 competition, and injury to business reputation; (ii) the
6 Syosset appellees' trademark infringement was willful; and
7 (iii) the Staten Island and Syosset appellees' use of the
8 PATSY'S and/or PATSY'S PIZZERIA marks exceeded the scope of
9 their license with I.O.B. Realty.

10 However, there was no abuse of discretion by the district
11 court. Because the district court validly cancelled
12 appellants' registrations, appellants are no longer entitled to
13 the presumptive right to use the marks nationwide that a
14 federal registration provides. See 15 U.S.C. § 1115(a). Nor
15 did this litigation address the parties' rights beyond
16 Manhattan, Staten Island, and Syosset. Indeed, none of the
17 jury findings that appellants rely upon involves misconduct by
18 the intervening appellees, in contrast to the Staten Island and
19 Syosset appellees.

20 We, therefore, turn to the district court's failure to
21 enjoin the Staten Island appellees and the Syosset appellees
22 from using the mark PATSY'S. After this action was brought,
23 the Staten Island location closed, and appellants do not claim
24 that it will be reopened. As a result, it was not an abuse of
25 discretion to refuse to enjoin the Staten Island appellees.

1 As for the Syosset location, the district court did grant
2 some injunctive relief to appellants, although not as broad as
3 they would have liked. Rather than enjoining the Syosset
4 defendants from using the mark PATSY'S in any manner, the
5 district court entered an injunction that prohibits the Syosset
6 defendants from using the term "Trattoria Impazzire" and also
7 requires them to place a sign in their front window disclaiming
8 any association with Patsy's Italian Restaurant for at least
9 three years from the date of judgment. Patsy's Italian Rest.
10 IV, 575 F. Supp. 2d at 469. See supra note 2. Appellants
11 argue that these injunctions are insufficient because "the term
12 PATSY'S is more than three times the size of the word PIZZERIA"
13 in the signs of both the Syosset and Staten Island locations.
14 Appellants' Br. at 40. Appellants also argue that the
15 disclaimer sign is insufficient because it is not visible to
16 the public, particularly to those driving by the Syosset
17 location and those visiting the Syosset location's website.
18 Finally, appellants argue that the removal of the "Trattoria
19 Impazzire" sign is insufficient because it does not alter the
20 nature of the Syosset location's menu.

21 "A district court has a 'wide range of discretion in
22 framing an injunction in terms it deems reasonable to prevent
23 wrongful conduct.'" Soltex Polymer Corp. v. Fortex Indus.,
24 Inc., 832 F.2d 1325, 1329 (2d Cir. 1987) (quoting Spring Mills,
25 Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 355 (2d Cir.

1 1983)). Given the district court's great flexibility in
2 fashioning relief, see Soltex, 832 F.2d at 1329, we have
3 frequently recognized that the use of a disclaimer sign can, in
4 the right circumstances, be appropriate relief. See Jim Beam
5 Brands Co. v. Beamish & Crawford Ltd., 937 F.2d 729, 737 (2d
6 Cir. 1991); Soltex, 832 F.2d at 1329-30; Spring Mills, 724 F.2d
7 at 355. Whether such a disclaimer is appropriate depends on
8 "the circumstances of the relevant business and its consumers."
9 Home Box Office, Inc. v. Showtime/The Movie Channel Inc., 832
10 F.2d 1311, 1315 (2d Cir. 1987). Here, the removal of the
11 "Trattoria Impazzire" sign, combined with the disclaimer, is a
12 permissible balancing of the equities. The fact that the term
13 PATSY'S may be larger than the term PIZZERIA in the sign does
14 not alter this conclusion. Nor are we persuaded by appellants'
15 argument that the menu remains the same. The district court
16 did not abuse its discretion by declining to delve into the
17 minute details of permissible menu items (unseen until passing
18 the disclaimer sign) for the Syosset restaurant.

19 As for appellants' allegations regarding the disclaimer
20 sign, many of these allegations suggest that the Syosset
21 appellees are not complying with the injunction. This is a
22 matter properly brought up with the district court. Spring
23 Mills, 724 F.2d at 356. Nor do the remaining allegations
24 convince us that the injunction was not proper relief.

25 2) Prohibiting Appellants and Patsy's Pizzeria From Using

1 Solely "PATSY'S"

2
3 The district court entered an injunction prohibiting
4 appellants and Patsy's Pizzeria from using solely the term
5 PATSY'S. No party requested such an injunction as relief.
6 Generally, where neither party has requested the injunctive
7 relief the district court intends to grant, the parties must
8 receive an opportunity to be heard. See Starter, 170 F.3d at
9 299.

10 In the present case, the district court instructed the
11 parties to address the propriety of such an injunction in their
12 post-trial papers. Neither party requested this particular
13 injunction only because it represented a compromise between
14 their respective positions, an anathema to both. It was not
15 the lack of notice, but rather the lack of interest in such
16 relief, that left the injunction with the appearance of sua
17 sponte relief. Also, the considerations pro and con are
18 rehashes of years of arguments that need to come to an end. We
19 are completely confident that a remand would be unilluminating,
20 delay the termination of this litigation needlessly, and merely
21 lead to more fruitless, overlitigated proceedings.

22 In all other respects, the injunction is entirely within
23 the district court's discretion. Appellants argue that: (i)
24 the district court failed to make the findings required by Fed.
25 R. Civ. P. 65(d)(1)(A); (ii) the issuance of the injunction is
26 not narrowly tailored because it went beyond the scope of the

1 party's claims, which did not involve the right to use PATSY'S
2 in Manhattan; and (iii) the injunction is inconsistent with the
3 district court's finding that appellants have the right to use
4 PATSY'S for restaurant services. None of these arguments has
5 any merit whatsoever.

6 With regard to (i), the district court's injunction was
7 sufficiently tailored. While the prime focus of the litigation
8 may not have been on the right to use PATSY'S in Manhattan,
9 Patsy's Pizzeria's counter-claim seeking cancellation of
10 appellants' registrations necessarily required the
11 consideration of a likelihood of confusion between the marks in
12 Manhattan. As a result, the injunction did not go beyond the
13 scope of the issues tried in the case.

14 As for (ii), the district court's reasons for the
15 injunction are adequate to provide meaningful appellate review.
16 The jury found that there was a likelihood of confusion between
17 Patsy's Pizzeria's marks and Patsy's Italian Restaurant's '836
18 Registration for the stylized mark PATSY'S PR for restaurant
19 services and the '866 Registration for PATSY'S for restaurant
20 services not including pizza. And, as noted by the district
21 court, there was substantial evidence in the record indicating
22 "an exceeding degree of consumer confusion." Patsy's Italian
23 Rest. IV, 575 F. Supp. 2d at 470. In addition, the district
24 court weighed the parties' rights with the harm to the public
25 due to a likelihood of confusion, and determined that the

1 injunction met a sufficient balance.

2 With regard to (iii), while I.O.B. Realty can no longer
3 protect its rights to the name Patsy's due to the long period
4 of use by Patsy's Italian Restaurant, see Patsy's Brand III,
5 317 F.3d at 216-17; Patsy's Italian Rest. IV, 575 F. Supp. 2d
6 at 470, that fact does not alter the likelihood of confusion by
7 consumers. Having allowed the consumer confusion to develop,
8 no party can now complain about the district court's attempt to
9 minimize the confusion. This is particularly true given our
10 earlier admonition to the parties that "both sides . . . would
11 be well advised to minimize the risk of confusion by
12 identifying their restaurants by the complete names: 'Patsy's
13 Italian Restaurant' and 'Patsy's Pizzeria.'" Patsy's Brand
14 III, 317 F.3d at 221.

15 Appellees argue that the injunction was an abuse of
16 discretion because it included the original location in East
17 Harlem as well as the licensees in Manhattan, which were not
18 parties to the litigation. They argue that there was no
19 finding of likelihood of confusion with regard to those
20 locations, claiming it is unusual to enjoin a senior user
21 without such a finding. We disagree.

22 Rule 65(d)(2) provides that an injunction binds both the
23 parties and anyone who is "in active concert or participation
24 with [the parties.]" Fed. R. Civ. P. 65(d)(2)(c). Both I.O.B.
25 Realty and Patsy's Inc. were parties to the instant litigation.

1 Because the Manhattan locations are authorized to use I.O.B.
2 Realty's marks through the franchise agreements with Patsy's
3 Inc., they are "in active concert or participation" with I.O.B.
4 Realty and Patsy's Inc. insofar as the injunction involves the
5 use of the PATSY'S mark, see Fed. R. Civ. P. 65(d)(2)(C).
6 Furthermore, as the owner of the mark, I.O.B. Realty was
7 perfectly able to represent the other locations' interests in
8 using the mark. As a result, it was not an abuse of discretion
9 to enter an injunction binding the Manhattan Patsy's Pizzeria
10 locations.

11 Nor did the district court abuse its discretion by
12 enjoining the senior user. While doing so may be unusual, this
13 is not the typical case. As noted above, Patsy's Pizzeria's
14 counterclaim seeking cancellation of appellants' registrations
15 necessarily required the consideration of a likelihood of
16 confusion between the marks in Manhattan. As a result, there
17 was substantial evidence in the record indicating "an exceeding
18 degree of consumer confusion," Patsy's Italian Rest. IV, 575 F.
19 Supp. 2d at 470, and the jury found that there was a likelihood
20 of confusion between Patsy's Pizzeria's marks and Patsy's
21 Italian Restaurant's '836 and '866 Registrations. Furthermore,
22 as noted, I.O.B. Realty can no longer protect its rights
23 against Patsy's Italian Restaurant, see Patsy's Brand III, 317
24 F.3d at 216-17; Patsy's Italian Rest. IV, 575 F. Supp. 2d at
25 470, and thus I.O.B. Realty's failure to enforce its rights

1 contributed to the consumer confusion. Given these facts, we
2 do not believe that the district court erred by "evaluat[ing]
3 . . . the legitimate interests of the senior user, the junior
4 user, and the consuming public," Am. Footwear Corp. v. Gen.
5 Footwear Co. Ltd., 609 F.2d 655, 664 (2d Cir. 1979) and
6 concluding that, in order to strike the proper balance of these
7 interests, the senior user must also be enjoined from using
8 solely the name PATSY'S.

9 CONCLUSION

10 For the foregoing reasons, we affirm.

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