

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  
13 v.

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

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

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

28  
29 BSZ REALTY CORP.,  
30 Defendant,

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

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

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\* 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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22 Counter-Defendant-Appellant-  
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26  
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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 mark<sup>1</sup> registrations issued November 1, 2005

---

<sup>1</sup> 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

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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.<sup>2</sup>

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

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<sup>2</sup> 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.<sup>3</sup>

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,

---

<sup>3</sup> 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).<sup>4</sup>

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.<sup>5</sup>

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<sup>4</sup> 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.

<sup>5</sup> 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

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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.<sup>6</sup>

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

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<sup>6</sup> 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.<sup>7</sup> 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

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<sup>7</sup> 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.<sup>8</sup> 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

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<sup>8</sup> 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.

11  
12  
13