

The Five Year Divide: Limited Recourse to Cancel Registrations, Even Those Void *Ab Initio*

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The Sixth Circuit recently issued an opinion in *NetJets Inc. v. IntelliJet Group, LLC Inc. (unpublished)*, holding that where a trademark registration is incontestable, it may not be cancelled on the ground that it was void *ab initio* due to failure to use the mark in commerce at the time of registration.

NetJets is a private aviation company specializing in fractional ownership of private airplanes, aircraft-leasing services and private jet services. In 1995, NetJets' predecessor applied to register the

trademark INTELLIJET in connection with computer software for managing the business of aircraft leasing and sales. The application matured to registration, and in 2002, NetJets filed a "declaration of use and incontestability" that was accepted by the USPTO.

IntelliJet Group is a company formed in 2005 that acts as a broker for private jet services and helps customers buy or sell aircraft. NetJets sued IntelliJet Group for trademark infringement and unfair competition under federal and state law, relying on its incontestable registration for the INTELLIJET mark. IntelliJet Group denied the allegations of likelihood of confusion and asserted a counterclaim for cancellation of NetJets' registration on the grounds of abandonment and that the registration was void *ab initio*.

The Ohio federal district court granted summary judgment to IntelliJet Group on NetJets' claims for trademark infringement and unfair competition and on IntelliJet Group's

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counterclaim for cancellation. The court agreed with IntelliJet Group that NetJets' registration was not in fact incontestable because internal use of the software by NetJets did not satisfy the use "in commerce" requirement of the Lanham Act. Thus, according to the district court, the mark was not incontestable and the registration could be challenged on the ground that it was void *ab initio*.

The Sixth Circuit reversed the district court's grant of summary judgment to IntelliJet Group on the counterclaim for cancellation of NetJets' registration. The Sixth Circuit began its analysis by determining whether IntelliJet Group had established a valid ground for cancellation. Pursuant to 15 USC § 1064, a mark registered for five years can only be cancelled on limited grounds, including fraud, abandonment and genericness. Void *ab initio* is not one of the specified grounds. IntelliJet Group argued on appeal that the limitations of § 1064 should not apply to registrations where there was no use in commerce prior to the date of application. Under those circumstances, according to IntelliJet Group, the application would be void *ab initio* and the mark could not be deemed incontestable. The 6th Circuit disagreed, holding that it was not necessary to examine whether or not the mark is incontestable because § 1064 barred IntelliJet Group from bringing a claim for cancellation on the ground that the application was void *ab initio*.

However, the 6th Circuit found there was no likelihood of confusion between the parties' marks, and thus affirmed the grant of summary judgment to IntelliJet Group on all of NetJets' claims for infringement and unfair competition. In addition, it remanded the case to the district court to address IntelliJet Group's argument that NetJets had abandoned its mark through non-use, since a challenge to the registration on the ground of abandonment is one of the limited grounds for cancellation permitted by § 1064.

The Sixth Circuit's conclusion that § 1064 does not permit an affirmative claim for cancellation based on a void *ab initio* challenge after five years is based on sound textual analysis. There is also good reason to "quiet title" in a federal registration after five years by narrowly limiting the grounds for cancellation. The appellate court's analysis is also consistent with the fact that the narrow grounds of cancellation under § 1064 apply whether or not the registrant has obtained the benefits of incontestability by filing and obtaining acceptance of a Section 15 declaration of incontestability. Thus, in evaluating whether IntelliJet Group had a viable counterclaim for cancellation of NetJets' registration, it was irrelevant to the appellate court whether the registration was incontestable or not.

Nevertheless, even if a party cannot affirmatively request cancellation of a registration on the ground that the underlying application was void *ab initio*, a party defending against a trademark infringement action should be permitted to attack the validity of a plaintiff's trademark rights, including whether the mark was in fact used on the goods or services covered by the registration and/or sold externally to customers, unless those rights have become incontestable. The Sixth Circuit implicitly concludes that once the declaration of incontestability is filed and accepted, the registration is incontestable. But that severely limits the opportunity to test the veracity of a self-interested party's declaration that the

mark was actually used in commerce for five years. While § 1115(b) permits a party to contest a declaration on the grounds of fraud, *NetJets* exemplifies why this may not be sufficient. It does not appear that NetJets used the mark in commerce, but neither does it appear NetJets committed fraud – which includes an intent to deceive – in asserting the mark was used in commerce. The result: NetJets arguably has an incontestable registration, despite not having used the mark in commerce for five years continuously, and IntelliJet Group is left without grounds to challenge the mark. Even if this is the correct result, it should be explicitly analyzed and decided.

Whether a party can request cancellation of a registration, and whether a mark is incontestable are not two sides of the same coin – they are different inquiries, controlled by different statutory sections, and have different effects. Regardless of whether a party may petition to cancel a registration, absent threshold trademark rights, a plaintiff should not be permitted to prevail on its claims, and a defendant should not be limited in the evidence it presents to undermine a registration unless the registration has become incontestable.