

19-1880

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

TODD C. BANK

Appellant,

v.

AL JOHNSON'S SWEDISH RESTAURANT & BUTIK, INC.,

Appellee.

*Appeal from the United States Patent and Trademark Office,
Trademark Trial and Appeal Board in Cancellation No. 92069777*

**APPELLEE'S REPLY IN SUPPORT OF ITS MOTION
FOR SANCTIONS UNDER RULE 38 OF THE FEDERAL RULES OF
APPELLATE PROCEDURE**

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November XX, 2019

INTRODUCTION

Appellee Al Johnson's Swedish Restaurant and Butik, Inc. ("Al Johnson's Restaurant"), by its undersigned attorneys, hereby replies to Appellant Todd C. Bank's ("Bank") opposition to Al Johnson's Restaurant's motion for sanctions (the "Sanction's Motion") under Rule 38 of the Federal Rules of Appellate Procedure for filing and arguing a frivolous appeal.

Bank's Response (Doc. 32) to the Sanctions Motion (the "Sanction's Response") primarily consists of repeating and re-arguing Bank's position in his appeal. As the appeal has been fully briefed, Al Johnson's Restaurant will focus this reply on the representative examples of Bank's conduct that render his appeal frivolous as filed and argued, and thus sanctionable under Rule 38.

ARGUMENT

A. Bank's Misstatements on Appeal Are Sanctionable.

Bank's Sanction's Response contradicts his previous statements about the issues on appeal and includes a new misstatement about the Board's March 2019 Order. For example, Bank's Reply stated, "that the issue of standing is the *only* issue on appeal[.]" Reply at 1; Doc. 26 at 5 (emphasis added). Bank now contradicts himself and says that he "should have stated, 'Appellee's observation that the issue of standing *and whether Bank stated a claim* (or, asserted a valid legal theory) are the issues on this appeal.'" Sanction's

Response at 4; Doc. 32 at 5 (emphasis in the original). Bank attempts to revise the clear language in his Reply that used the word “only” as well as his original misstatement of the issue: “Whether Trademark Registration No. 2007624 is invalid.” Bank’s Br. at 1; Doc. 21 at 10.

Bank now argues, for the first time, that the “Board did not find that Bank failed to plead a *sufficient level of detail* in alleging functionality.” Sanction’s Response at 2; Doc. 32 at 3 (emphasis in the original). This misdescription of the Board’s March 2019 Order reinforces the frivolity of Bank’s appeal. The Board dismissed Bank’s 2018 Petition for failing to allege sufficient facts to support a valid claim of functionality. *See* Appx3-4 (explaining that the Board reviews the plausibility of the factual content as required by *Ashcroft v. Iqbal*, 556 U.S. 662 (2009) and *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007)).

The Board’s March 2019 Order explains what types of facts are required to support a valid claim for functionality under controlling Supreme Court cases:

A product feature is functional ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. *Mag Instrument Inc. v. Brinkmann Corp.*, 96 USPQ2d 1701, 1718 (TTAB 2010) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 214 USPQ 1, 4 n.10 (1982)). A functional feature is one the “exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.” *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 34 USPQ2d 1161, 1164 (1995).

Appx10 (emphasis added to highlight the cited Supreme Court cases).

After describing the black-letter law on functionality, the Board's March 2019 Order repeatedly points out the failings in Bank's 2018 Petition to allege sufficient facts to support a plausible functionality claim:

[Bank] ***does not allege*** that goats on grass roofs are essential to the use or purpose or affect the cost or quality of restaurant services.

[Bank] ***has again failed to plead*** a nexus between the alleged aesthetic superiority of the design and Respondent's restaurant services.

[Bank] ***has failed to allege*** that the alleged superior design hinders competition or "provide[s] a competitive advantage."

[Bank] ***has failed to allege*** that the involved registration is functional, as opposed to merely aesthetically pleasing.

Appx9, Appx11 (emphasis added).

Despite the Board's March 2019 Order repeatedly identifying Bank's failure to allege facts to support his claim, Bank now claims that his 2018 Petition was not dismissed for failing "to plead *a sufficient level of detail* in alleging functionality. Instead, [Bank argues] the Board rejected Bank's *legal theory*[".]” Sanction's Response at 2; Doc. 32 at 3 (emphasis in original).

The Board dismissed Bank's pleading as implausible and rejected Bank's "legal theory" because Bank's "legal theory" contradicts the Supreme Court cases that define functionality. The Board applied *Inwood* and *Qualitex* to the allegations in Bank's 2018 Petition and found he did not plead a plausible functionality claim.

Bank's claim the Board rejected his "legal theory" is no more than a disagreement with the Supreme Court's definition of functionality. Bank's disagreement with the Supreme Court does not make his appeal non-frivolous. *See Finch v. Hughes Aircraft Co.*, 926 F.2d 1574, 1579 (Fed. Cir. 1991) (stating that Rule 38 sanctions are justified when "the legal authority contrary to appellant's position [is] so clear that there really is no appealable issue").

Bank did not argue on appeal that he pleads sufficient facts to support a plausible claim under *Inwood* and *Qualitex*, as would be required to reverse the Board's March 2019 Order on appeal. Bank also did not argue on appeal that his 2018 Petition differed from his 2011 Petition that the Board also dismissed for failing to plead a plausible functionality claim in *Doyle v. Al Johnson's Swedish Restaurant and Butik, Inc.*, No. 92054059, 2012 WL 695211 (T.T.A.B. Feb. 10, 2012). Thus, by failing to distinguish his dismissed 2011 Petition from his dismissed 2018 Petition, Bank does not make a good-faith argument to reverse the Board's March 2019 Order. By claiming in the Sanction's Response that the Board rejected his legal theory, Bank is also attempting to relitigate *Doyle* and the dismissal of the nearly identical functionality claims in Bank's 2011 Petition. *See Finch*, 926 F.2d at 1579 (noting that sanctionable conduct under Rule 38 includes "seeking to relitigate issues already adjudicated").

If Bank was not trying to relitigate *Doyle*, then his arguments on appeal

would have explained to this Court how the allegations in Bank's dismissed 2018 Petition differed from the allegations in Bank's dismissed 2011 Petition. Bank's appeal, however, fails to include any discussion of the sufficiency of his pleading, which is one of the reasons Bank's appeal is frivolous and sanctionable.

B. Bank's Reliance on an Unconstitutional Provision of the Lanham Act is Sanctionable.

Bank's insistence that he can plead offense as his *only* injury *after* the Supreme Court ruled that offense is no longer a basis to challenge trademark registration in *Matal v. Tam*, 137 S. Ct. 1744 (2017), confirms the frivolity of Bank's appeal. Bank claims that Al Johnson's Restaurant cites no authority for its position. Sanction's Response at 5; Doc. 32 at 6. To the contrary, the authority is *Tam*, which finds the "disparagement clause," i.e., the "clause that denies registration to any mark that is offensive" unconstitutional. 137 S. Ct. 1744 at 1479. The authority is also *Ritchie v. Simpson*, which limits its finding of standing based the alleged offensiveness of a trademark "[u]ntil such time as the constitutionality of these Lanham Act provisions is challenged[.]" 170 F.3d 1092, 1099 (Fed. Cir. 1999).

Bank ignores the fact that his arguments would render *Tam* meaningless because anyone alleging *only* offense as an injury could continue to challenge trademark registration. Instead, Bank cites a series of irrelevant cases involving

courts' Article III standing under the Fair Housing Act, Endangered Species Act, Resource Conservation and Recovery Act and the Rehabilitation Act to defend his appeal as non-frivolous. Sanction's Response at 9-10; Doc. 32 at 11-12; *see also* Finch, 926 F.2d at 1579 (noting that the "citation of inapplicable or irrelevant authorities" is post-filing conduct found to be frivolous under Rule 38).

Moreover, the *Loeffler v. Staten Island Univ. Hosp.* decision that Bank discusses in his Sanction's Response for three pages (10-13; Doc. 32 at 11-14) explains that the pleaded injury must be "causally related to . . . a disabled person's injury *under the statute*" to find standing. 582 F.3d 268, 280 (2d Cir. 2009) (emphasis added). In that case, the federal law required the hospital to provide a sign language interpreter to a deaf patient, and the deaf patient's children plead an injury because they missed school to provide sign-language interpretation for their father. *Id.* In other words, the children plead an injury casually related to a violation of a statute that could be addressed under the statute.

Applying *Loeffler* to this case, Bank is required to plead an injury that can be addressed under the Lanham Act. After *Tam*, the Lanham Act no longer recognizes offensiveness as an injury that can be addressed "under the statute." This is why Bank's appeal is frivolous as filed and argued. *See State Indus., Inc. v. Mor-Flo Indus., Inc.*, 948 F.2d 1573, 1580 (Fed. Cir. 1991) (finding arguments based on "illogical deductions from misused legal authority" to be sanctionable).

C. Bank’s Injury Argument is Illogical and Sanctionable.

Bank also claims his appeal is not frivolous because “the cause of Bank’s injury is the ‘*registration* of the [The Restaurant’s] mark.’ 15 U.S.C. § 1064 (emphasis added).” Sanction’s Response at 12; Doc. 32 at 13. No court has ever interpreted this section of the Lanham Act to allow any injury allegedly *caused by the registration* to provide a basis for standing. This is a frivolous argument that would allow anyone that dislikes the look of a trademark to allege offense as his only injury when filing a proceeding with the Board. Bank’s illogical interpretation of the statute would allow for endless harassment of trademark owners in a manner inconsistent with the Federal Circuit’s requirement that parties challenging trademark registration have a “legitimate personal interest” or “stake” in the outcome of the Board proceeding. *Ritchie*, 170 F.3d at 1095 (Fed. Cir. 1999).

Bank’s illogical interpretation of the Lanham Act’s standing requirements, as well as his disregard for the precedents of this Court, is telling as to the frivolity of Bank’s appeal. *See State*, 948 F.2d at 1580 (finding a party’s “patently illogical and irrelevant arguments” to be frivolous as filed and argued).

CONCLUSION

WHEREFORE, Al Johnson’s Restaurant respectfully requests sanctions under Rule 38 of the Federal Rules of Appellate Procedure and any other relief this Court deems just.

Dated: November 25, 2019 Respectfully submitted,

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*Counsel for Appellee Al Johnson's Swedish
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CERTIFICATE OF INTEREST

Counsel for Appellee, Al Johnson's Swedish Restaurant & Butik, Inc., certifies the following:

1. Full name of the party represented by me:

Al Johnson's Swedish Restaurant & Butiks, Inc.

2. Name of the real party in interest represented by me is:

N/A

3. Parent corporations and publicly held companies that own 10% or more of the stock in the party:

None

4. The names of the all law firms and the partners or associates that appeared for the party now represented by me in the agency or are expected to appear in this court are:

Katrina G. Hull and Emily M. Haas of Michael Best and Friedrich LLP appeared before the agency; Katrina G. Hull and Jacqueline L. Patt of Markery Law, LLC are appearing in this Court.

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal.

None

Dated: November 25, 2019

/s/ Katrina G. Hull

Katrina G. Hull

CERTIFICATE OF SERVICE

I hereby certify that on November 25, 2019, I filed this document with the Court's CM/ECF filing system, which delivered notice of this filing to the below email address for Appellant Todd C. Bank:

tbank@toddbanklaw.com

ecf@toddbanklaw.com

I also certify that on November 25, 2019, I sent a copy of this document by U.S. mail to Appellant Todd C. Bank, as follows:

Todd C. Bank
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Kew Gardens, New York 11415

/s/ Katrina G. Hull
Katrina G. Hull

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME
LIMITATION, TYPEFACE REQUIREMENTS
AND TYPE STYLE REQUIREMENTS**

1. This motion complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) or Federal Rule of Appellate Procedure 28.1(e) because the motion contains **1780** words, excluding the parts of the motion exempted by Federal Rule of Appellate Procedure 27(d)(2) and Fed. Cir. R. 27(d)

2. This motion complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared in a proportionally spaced typeface using MS Word in a 14-point Times New Roman font.

Signed November 25, 2019

/s/ Katrina G. Hull

Katrina G. Hull