



High Court Says Trademark Trial and Appeal Board Decisions Can Have Preclusive Effect

On March 24, 2015, the United States Supreme Court issued its decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, holding that “a court should give preclusive effect to [Trademark Trial and Appeal Board] decisions if the ordinary elements of issue preclusion are met.” 575 U.S. ____ (2015) (slip op., at 2). The issue before the Supreme Court was whether the district court should have applied issue preclusion to the TTAB’s decision that “SEALTITE” is confusingly similar to “SEALTIGHT.” *Id.*

Background and Procedural History of *B&B Hardware*

In 1996, Hargis Industries, Inc. (“Hargis”) applied to register the mark SEALTITE for “self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings.” As part of the long-running trademark dispute between the parties, B&B Hardware, Inc. (“B&B”) opposed the application in 2003 on the basis that SEALTITE was likely to cause confusion with B&B’s registered SEALTIGHT mark for “threaded or unthreaded metal fasteners and other related hardwar[e] ... for use in the aerospace industry.” While the opposition proceeding was pending, B&B brought an infringement action against Hargis in the United States District Court for the Eastern District

of Arkansas. Shortly thereafter, the TTAB denied registration to Hargis’s SEALTITE mark, holding that the mark was likely to cause confusion with B&B’s SEALTIGHT mark. Hargis did not seek judicial review of the TTAB’s decision.

B&B then moved for summary judgment on the issue of whether the TTAB’s prior finding of likelihood of confusion in a matter involving the same parties and trademarks should be given preclusive effect. The district court denied B&B’s request for summary judgment, holding that the TTAB’s determination did not preclude the jury’s consideration of the likelihood of confusion issue. The district court also declined to admit the TTAB’s decision into evidence at trial. While the jury was informed that the TTAB refused to register Hargis’s mark, the jury was not told how the TTAB resolved the likelihood of confusion issue. Ultimately, the jury found that Hargis’s use of the SEALTITE mark was not likely to cause confusion with B&B’s SEALTIGHT mark.

On appeal of the preclusion issue, a divided panel of the United States Court of Appeals for the Eighth Circuit, consisting of Judges Shepherd, Loken, and Colloton, affirmed. Judge Shepherd, writing the opinion for the majority, held that TTAB findings regarding a likelihood of confusion should be accorded neither

preclusive effect nor deference. *B&B Hardware v. Hargis Indust.*, 716 F.3d 1020, 1026 (8th Cir. 2013). The Eighth Circuit held that for preclusion to apply, the issue sought to be precluded must be the same as the issue involved in the original action. This prerequisite was not satisfied because the likelihood of confusion issue decided by the TTAB in opposition proceedings was not the same issue decided by district courts in trademark infringement actions. The Eighth Circuit noted that the TTAB relies on the 13-factor test articulated in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973), to evaluate whether there is likely to be confusion between the applied-for mark and an existing registration, while district courts in the Eighth Circuit rely on the six-factor test enumerated in *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980), to evaluate the likelihood of confusion analysis. The Court also noted that the TTAB's analysis emphasizes the similarities between the marks and ignores evidence of actual market use. Finding that such evidence is "critical" to the likelihood of confusion analysis in infringement actions, the Eighth Circuit held that the TTAB did not decide the same "likelihood of confusion" issue presented to the district court. Therefore, preclusion was not appropriate.

The dissenting judge, Judge Colloton, argued that if the TTAB considered evidence of marketplace context and preclusion would otherwise apply, TTAB findings should be entitled to preclusive effect. Both the district court and the TTAB were deciding the same issue—whether there was a likelihood of confusion—and any differences between the two likelihood of confusion tests were minimal. Further, the dissent feared that the majority's effort to distinguish the analysis in TTAB proceedings from the analysis in infringement actions meant that TTAB findings would never be afforded preclusive effect in federal court. As the TTAB decides factual issues in the course of determining the right to registration, the dissent argued there is no policy reason why those issues should not be foreclosed from further litigation as long as the requirements for preclusion are satisfied.

Differences Between TTAB Proceedings and District Court Actions

As the Eighth Circuit noted in *B&B Hardware*, and as other courts have recognized, there are several differences between opposition and cancellation proceedings before

the TTAB and trademark infringement actions before a district court. Even though both tribunals must analyze whether there is a likelihood of confusion, key differences include:

- The TTAB focuses on whether a mark is entitled to registration, whereas district courts focus on the alleged infringer's actual use of the mark at issue.
- The TTAB relies on the 13-factor *DuPont* test and applies those factors to the information contained in the application or registration at issue. District courts, however, use multifactor tests (which vary by circuit) and apply those factors to evidence regarding how the trademark is actually used in the marketplace.
- The scope of discovery is narrow in proceedings before the TTAB, and testimony is presented in writing to a panel of judges. In district court proceedings, the scope of discovery is broader, and evidence is presented live before a judge or jury.
- Upon a finding of likelihood of confusion, the TTAB may refuse to register the mark, in whole or in part, or may cancel a registered trademark in a cancellation proceeding. District courts, however, may award monetary damages, costs, and attorneys' fees, and they may permanently enjoin a party from using a trademark. As the TTAB's remedies are limited, there is generally far less incentive to litigate TTAB proceedings as aggressively as district court infringement actions.

Circuit Split

Apart from the Eighth Circuit, every circuit to address the issue has concluded that TTAB decisions regarding likelihood of confusion are entitled to at least some deference in subsequent trademark infringement actions. For example:

- The Third and Seventh Circuits have accorded preclusive effect to TTAB determinations regarding a likelihood of confusion. See *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006); *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984).
- The Second Circuit has held that TTAB findings regarding a likelihood of confusion should be given preclusive effect, but only when the TTAB takes the marketplace context into account in a meaningful way. See *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997).

- The Fifth and Eleventh Circuits, while not giving preclusive effect to TTAB decisions regarding a likelihood of confusion, have held that TTAB decisions are entitled to deference unless there is persuasive evidence to the contrary. See *American Heritage Life Insurance Co. v. Heritage Life Insurance Co.*, 494 F.2d 3 (5th Cir. 1974); *Freedom Savings and Loan Association v. Way*, 757 F.2d 1176 (11th Cir. 1985).

Supreme Court: Issue Preclusion Applies to TTAB Decisions

In a majority opinion written by Justice Alito, the Supreme Court held that TTAB decisions on likelihood of confusion have preclusive effect in subsequent district court actions when the trademark usages at issue are materially the same and ordinary elements of issue preclusion are met. The Court first clarified that an agency decision may form the basis for issue preclusion without violating Article III. It then concluded that nothing in the Lanham Act's text or structure prevented the application of issue preclusion.

The Court then examined whether there was a categorical reason why TTAB decisions could never meet the ordinary elements of issue preclusion and found there was none. The Court rejected the Eighth Circuit's finding that the likelihood of confusion issue decided by the TTAB is not the same issue decided by a district court in a trademark infringement action. According to the Court, it does not matter that registration and infringement are governed by different statutory provisions, or that there are "minor variations" in the factors used by the TTAB and the Eighth Circuit to assess likelihood of confusion.

The key inquiry is whether the likelihood of confusion standard for purposes of registration is the same standard as likelihood of confusion for purposes of infringement. The Supreme Court concluded that they are the same because: (i) the operative language of the registration provision, 15 U.S.C. § 1052(d), is essentially the same as the infringement provision, 15 U.S.C. § 1141(i); (ii) the likelihood of confusion language that Congress used in §§ 1141(i) and 1052(d) has been central to trademark registration since at least 1881; and (iii) district courts can cancel registrations during infringement litigation, just like they can adjudicate infringement in actions seeking judicial review of registration decisions.

The Supreme Court was not persuaded by Hargis's argument that the text of the Lanham Act's registration provision asks whether the marks at issue "resemble" each other, whereas the text of the infringement provision is directed at "use in commerce" of the marks. The fact that the TTAB does not always consider the same usages as a district court does not mean that it applies a different standard to the usages it does consider. If a trademark owner uses its mark in ways that are materially the same as the usages included in its federal trademark application, the TTAB will be deciding the same likelihood of confusion issue as the district court in a subsequent or concurrent infringement litigation. However, if the TTAB does not consider the marketplace use of the parties' marks, then its decision should not be given preclusive effect in a subsequent infringement action in which actual market use is the "paramount" issue.

The Supreme Court also rejected Hargis's argument that issue preclusion should not apply because the TTAB uses different procedures than district courts. The Supreme Court noted that the correct inquiry is whether the procedures used in the first proceeding were fundamentally poor, cursory, or unfair. As there was no reason to doubt the quality, extensiveness, or fairness of the TTAB's procedures, there was no reason issue preclusion should not apply.

Finally, the Court rejected Hargis's argument that issue preclusion should not apply since the stakes are much lower in a proceeding before the TTAB than in an infringement action. The Court found that the benefits of registration are substantial, and Congress's creation of an elaborate registration scheme confirms that registration decisions can be weighty enough to ground issue preclusion.

Justice Ginsburg concurred on the understanding that when the TTAB does not consider marketplace usage, the TTAB's opinion is not entitled to preclusion on the likelihood of confusion issue. Justice Thomas issued a dissenting opinion, which was joined by Justice Scalia. The dissenting opinion argued that the decision to grant TTAB determinations preclusive effect was not grounded by a common law presumption in favor of administrative preclusion or the text, structure, or history of the Lanham Act. Accordingly, the TTAB's registration decisions were not entitled to preclusive effect in subsequent infringement actions.

Practical Implications

Prior to the *B&B Hardware* decision, the most significant risk of losing an opposition or cancellation proceeding was the inability to obtain, prevent, or cancel a trademark registration. Regardless of the holding, an infringement action could be instituted in federal district court. Since TTAB decisions could now have preclusive effect, a negative decision could bar trademark owners from enjoining use of the challenged mark in federal court. Given these higher stakes, trademark owners should anticipate that TTAB proceedings will now be far more contentious. Parties will be more inclined to devote significant resources to TTAB proceedings, adopt aggressive positions such as affirmative defenses and counterclaims, and appeal the TTAB's rulings, if necessary.

Accordingly, trademark owners should carefully consider whether they will benefit from a likelihood of confusion determination in the TTAB or federal court before initiating TTAB proceedings. If a trademark owner will benefit from a thorough review of marketplace use and a broader scope of discovery, it may not want to institute a TTAB action that might bar it from presenting further evidence of actual use in a subsequent infringement action. On the other hand, if actual marketplace use of the relevant mark reduces the likelihood of confusion, TTAB proceedings may provide an opportunity for trademark owners to increase the chances of finding a likelihood of confusion between the relevant marks. Similarly, if a trademark owner anticipates that its key witnesses will not testify well in court, the TTAB may provide a more favorable forum for resolving the likelihood of confusion issue since it does not hear live testimony.

B&B Hardware may also affect a trademark owner's ability to obtain a preliminary injunction, which limits or stops the use of an allegedly infringing mark prior to a final determination of the merits. Notably, this form of relief is exclusive to federal courts and, like damages, is unavailable in TTAB proceedings. In order to obtain a preliminary injunction, a trademark owner must establish (among other things) that it is both likely to succeed on the merits and suffer irreparable harm in the absence of preliminary relief. If the likelihood of confusion

issue has already been decided by the TTAB, it should be far easier to establish a likelihood of success on the merits. At the same time, however, a trademark owner who waits until the TTAB issues its final determination to seek a preliminary injunction may find it more difficult to establish a likelihood of irreparable harm given the delay in filing suit. Ultimately, the preclusive effect afforded to TTAB determinations will benefit trademark owners most in situations where an applicant files an intent-to-use application, loses an opposition proceeding before the TTAB, and then proceeds to use the mark in commerce. Under these circumstances, the Supreme Court's decision should make it easier for trademark owners to move for and obtain preliminary injunctive relief.

Finally, *B&B Hardware* may also affect the manner in which goods and services are identified in trademark applications. On the one hand, it would be beneficial to have a broad identification for opposition purposes. However, if an applicant faces an objection to the application, a more narrowly tailored identification of goods or services would assist in arguments against a likelihood of confusion.

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