

# Analysis: The Supreme Court's B&B Hardware Decision Could Have a Significant Impact on Trademark Infringement Disputes

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On March 24, 2015, the U.S. Supreme Court held that, under certain circumstances, rulings by the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board (TTAB) on the core issue of "likelihood of confusion" in contested trademark registration (opposition or cancellation) proceedings can be binding on a court considering the same issue in infringement litigation. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352, \_\_\_ US \_\_\_, 135 S.Ct. 1293, 2015 WL 1291915 (2015). This decision, which reversed a ruling by the U.S. Court of Appeals for the Eighth Circuit and addressed an unsettled area of trademark law, is likely to have a significant impact on TTAB proceedings, court litigation, and overall trademark protection and dispute resolution strategy.

The *B&B* case has involved nearly two decades of administrative proceedings, trials, and appeals that the Court characterized as a "labyrinth," stating: "The full story could fill a long, unhappy book." The chapter before the Court concerned a ruling by the TTAB in an opposition proceeding that there was a likelihood of confusion between B&B's senior registered mark SEALTIGHT for metal fasteners in the aerospace industry and Hargis's mark SEALTITE for metal fasteners in the construction industry. This resulted in a denial of Hargis's application to register its mark (which Hargis did not appeal). That ruling came in the midst of a federal district court trademark infringement jury trial between the parties. B&B asked the district court judge to hold that Hargis could no longer contest likelihood of confusion because the TTAB decision on this issue had removed it from the court case under the doctrine of "issue preclusion." The judge refused, B&B lost the case, and the Eighth Circuit affirmed. Reversing the district court and the Eighth Circuit, the Supreme Court, in a 7-2 decision, held that the TTAB had considered essentially the same material facts and applied the same legal standard that the district court was required to consider and apply in the infringement case. Therefore, the Board's finding of likelihood of confusion was binding on the district court.

Justice Alito's majority opinion indicated that issue preclusion should apply in only a limited number of cases, where the ordinary elements of the doctrine (including the actual litigation of an essential issue of fact or law and its determination by a final judgment) are met, and "when the [trademark] usages

adjudicated by the TTAB are materially the same as those before the district court." Justice Ginsburg's concurring opinion emphasized this point. However, in many cases, it will be difficult to predict whether preclusion will apply - *especially* in the early stages of either the TTAB case or the court case. This presents a significant challenge to trademark litigants and their counsel.

In many cases, marketplace conditions such as trade channels, sophistication of consumers, additional goods or services for which the marks are used, and the use of other word marks or logo designs in conjunction with the marks at issue are not considered and/or ruled upon by the Board in the registration context. Such conditions can play a more important role in infringement litigation. In such cases, the Court stated, issue preclusion should not apply. The problem for litigants is that, often, they cannot know in advance whether these issues - or others that may become important in court litigation - will be fully litigated before the TTAB. And, even if the TTAB does consider marketplace conditions in its ruling, there will be uncertainty as to whether the marketplace conditions and other evidence comprising the overall picture of trademark usage being considered in a later court action are "materially the same" as those the Board considered.

#### *Potential Consequences*

The potential, though uncertain, preclusive effect of particular TTAB registrability proceedings on later court cases means that, in some cases, more is now at stake at the TTAB. Accordingly, trademark counsel can be expected to advise parties to devote greater resources to TTAB proceedings than has previously been the case. Among the additional potential consequences:

- Curtailment of the current practice of using the less formal, less rushed, and usually less costly TTAB proceedings to test the strength of the parties' positions and, at some point in the proceedings, reach a settlement of trademark disputes that encompasses use as well as registration of marks.
- In a similar vein, more decisions by parties to bypass the TTAB and bring their trademark disputes to the courts, which have the power to enjoin use of an infringing mark, award damages and, in "exceptional cases," order punitive damages and attorneys' fees, as well as cancellation of a registered mark. Since TTAB proceedings might preclusively resolve core issues of trademark disputes, i.e., ownership, seniority, likelihood of confusion, and damage to the senior trademark owner, a party might find it more effective to have those issues as well as the full gamut of remedies decided in one proceeding - before a district court judge or jury.
- Reduction in the use of factual and legal stipulations and the TTAB's Accelerated Case Resolution (ACR) pathway. The Board has had only limited success to date in persuading parties to utilize ACR, and *B&B* seems unlikely to further that goal.

- Increased use of costly survey evidence in TTAB proceedings.
- Increased appeals of adverse TTAB rulings.

It is important to reiterate the Supreme Court's holding that issue preclusion should *not* apply to likelihood of confusion if the TTAB did not consider issues that are key to that analysis in an infringement case in court, e.g., marketplace conditions. In *B&B*, the Court held that the TTAB *did* consider the same marketplace conditions that were before the district court. A corollary should also hold: Even if the Board considers marketplace conditions, a court may later be faced with *different* marketplace conditions that were not considered by the Board. These might include a change in the goods or services sold under a mark, a change in the manner in which goods or services are marketed, and a host of other possible changed conditions. These should lead a court to refuse to give preclusive effect to a TTAB ruling on likelihood of confusion.

#### *Amici Curiae*

The Court requested the government's "friend of the court" participation in the case, and ended up adopting the core positions asserted in the government's brief in support of the view that there are no constitutional or other impediments to applying issue preclusion to TTAB decisions. The government also asserted that the Board's ruling on likelihood of confusion is "likely entitled to preclusive effect" in this case. The American Intellectual Property Law Association's brief largely echoed the government's position, with minor distinctions, but without supporting either party in the case. Both briefs seemed concerned with preserving and enhancing the status of the TTAB and its judges - and succeeded in doing so.

On the other hand, the prominent brand owners' association, the International Trademark Association (INTA), whose brief supported neither party, asserted that while some degree of deference to TTAB judges on likelihood of confusion findings may be appropriate in certain cases, total preclusion is *never* appropriate (though it could apply to other issues, such as which party has priority rights). INTA presented a well-reasoned, multi-pronged argument. The primary ground for its position was "the significant differences between litigation before the TTAB and litigation in the courts involving likelihood of confusion..." and the fact that the TTAB typically disregards marketplace evidence due to its "limited jurisdictional mandate" to consider "the narrow question of registrability, which is based solely on how the marks are presented in the applications and registrations at issue." But the Court was not convinced.

#### *Conclusion*

The degree of deference accorded a TTAB ruling on likelihood of confusion has varied among the courts. The Supreme Court has now resolved that question, holding that total preclusion should be applied when the trademark usages fully litigated before and decided by the TTAB are materially the same as those faced



by a district court. The lower courts will need to refine and apply the Court's "materially the same" standard on a case-by-case basis. Ultimately, as the Court indicated, preclusion may not apply in most cases, but trademark disputants should err on the side of caution and, in many cases, lend greater importance to TTAB proceedings than they might heretofore have done.

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