# IP Alert: Supreme Court Hears Oral Arguments in B&B Hardware, Inc. v. Hargis Industries, Inc.




# SUPREME COURT HEARS ORAL ARGUMENTS IN B&B HARDWARE, INC. V. HARGIS INDUSTRIES, INC.

By R. Gregory Israelsen

On December 2, 2014, the Supreme Court of the United States heard oral arguments in B&B Hardware, Inc. v. Hargis Industries, Inc., the first trademark case to reach the Court in nearly ten years. William F. Jay, of Washington, DC, argued on behalf of petitioner B&B Hardware. John F. Bash, Assistant to the Solicitor General, represented the United States as amicus curiae and argued in support of the petitioner. Neal K. Katyal, of Washington, DC, argued on behalf of respondent Hargis Industries.

**BACKGROUND**

Petitioner B&B Hardware, Inc., is a California business that owns the registered mark SEALTIGHT, which was registered in 1993. B&B manufactures and sells self-sealing fasteners, “all having a captive o-ring, for use in the aerospace industry.” B&B’s fasteners are designed for use in high-pressure environments and sealing applications.

Respondent Hargis Industries, Inc., is a Texas business that also manufactures and sells fasteners, albeit in the construction industry. Specifically, Hargis sells sheeting screws, which are designed to attach sheet metal to wood or steel building frames

In 1996, Hargis applied to register the mark SEALTITE for its “self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings.” The U.S. Patent and Trademark Office (USPTO) refused Hargis’s application because the SEALTITE mark “so resembles” B&B’s SEALTIGHT mark that it was “likely to cause confusion.”

In March 1997, Hargis sought cancellation of B&B’s registration before the Trademark Trial and Appeal Board. B&B opposed the cancellation and sued Hargis for trademark infringement. The cancellation proceeding was stayed pending the outcome of the litigation. In May 2000, a jury found that B&B’s mark was merely descriptive and had not acquired secondary meaning. In 2001, the Board resumed proceedings on Hargis’s cancellation petition, which it eventually dismissed in June 2003.

While the cancellation proceeding was pending, Hargis submitted supplemental materials in support of its application to register SEALTITE. The USPTO withdrew its previous refusal, approved Hargis’s application, and published Hargis’s mark for opposition. In February 2003, B&B filed an opposition proceeding, which began in 2006. In 2007, the Board sustained B&B’s opposition and denied Hargis’s registration of SEALTITE.

In 2003, B&B also filed a second infringement action, which proceeded in parallel with the opposition proceeding. In 2007, after the Board denied Hargis’s application, the district court dismissed B&B’s second infringement action on the ground that it was precluded by the judgment in the first infringement action. B&B appealed, and the Eighth Circuit reversed, holding that because the jury never reached the issue of likelihood of confusion in the first action, collateral estoppel did not apply.

On remand, the jury found that there was no likelihood of confusion between the two marks. B&B sought a new trial based on the district court’s refusal to give preclusive effect, or even deference, to the Board’s likelihood-of-confusion finding. The court denied B&B’s motion. The Eighth Circuit affirmed, holding that the Board “did not decide the same likelihood-of-confusion issues presented to the district court.”

B&B petitioned for certiorari, and the Supreme Court granted review on two questions:

(1) Whether the Trademark Trial and Appeal Board's finding of a likelihood of confusion precludes respondent from relitigating that issue in infringement litigation, in which likelihood of confusion is an element; and

(2) whether, if issue preclusion does not apply, the district court was obliged to defer to the Board's finding of a likelihood of confusion absent strong evidence to rebut it.

**ORAL ARGUMENTS**

Justice Ginsburg opened the questioning in oral arguments, pointing out that "the stakes are so much higher" in an infringement proceeding when compared to a registration proceeding. Counsel for B&B, Mr. Jay, acknowledged that the stakes are different, but argued that the inquiry is the same—specifically, likelihood of confusion. Therefore, Mr. Jay argued, the Board's "judgment is preclusive because it's deciding the same issue."

By contrast, counsel for Hargis, Mr. Katyal, argued that the question being asked is different. Specifically, the Board proceeding considers whether the resemblance of the mark is likely to confuse, whereas the district court's de novo proceeding considers whether the use of the mark is likely to confuse. The Court sought clarification on this distinction. For example, Justice Breyer referred to 15 U.S.C. § 1114—the infringement statute—which repeatedly mentions "use," including use in "advertising, sales, all different ways in which use causes confusion." Mr. Katyal explained that in a registration proceeding, the consideration is whether the resemblance of the mark in connection with the goods is confusing, as opposed to an infringement proceeding, which considershow the goods are used—"the advertising, the marketing, the sales."

The oral arguments included significant discussion about the evidence available in each proceeding. For example, Justice Sotomayor referenced Kappos v. Hyatt—in which the Court unanimously affirmed that evidence not submitted to the USPTO in patent prosecution is admissible when bringing suit against the Director of the USPTO under 35 U.S.C. § 145—to make the point that the Court has blessed the idea that an applicant does not have to submit all possible evidence to the Board for consideration. Mr. Jay explained that the applicant always has the option to appeal the Board's decision to a district court, where the additional evidence could be presented, but if the applicant does not take that option, the "bedrock principle of the law on judgments [is] that new evidence is not enough" to avoid preclusion.

The Court also considered, however, how much evidence is actually presented in practice. Justice Breyer noted that in Board proceedings, there are no live witnesses, there is no expert testimony regarding consumer confusion, and the Board stresses "that they should not be like a district court." Justice Kagan noted that a Board proceeding can cost only "10 percent of the cost of an

infringement suit." Mr. Katyal contrasted Hargis's Board proceedings—where there were four depositions and no discovery—with the infringement trial, where there were 14 live witnesses and 4,000 pages of discovery.

The Justices were clearly concerned about the scope of their decision. For example, Justice Alito asked if it would be worthwhile to create a rule that applies to a very limited set of circumstances—that is, the number of cases in which the elements of issue preclusion would be met by the Board proceeding. Justice Kagan asked Mr. Jay about the proportion of parties that currently seek review by the Board instead of an alternative (e.g., infringement litigation in district court), and whether the Board is the primary avenue for resolving these types of disputes. Mr. Jay responded that Justice Kagan had asked "a difficult question," but that "fewer than 200 Board cases go to final judgment each year in contested proceedings."

The Justices also explored a middle ground, although neither side seemed interested in compromise. Mr. Jay said that if the Court gave deference instead of full preclusion, the deference should accord "great weight," because the earlier proceedings were full and fair, and the issues were the same. By contrast, Mr. Katyal said that preclusion requires "an identical inquiry," and "the procedures and the incentives at stake" must also be identical. But, Mr. Katyal continued, "that theoretical world never happens in reality."

Understandably, the oral arguments included multiple hypothetical situations—presented by both the Justices and counsel—to aid in understanding concepts that in the abstract may be difficult to grasp. For example, Justice Breyer repeatedly referred to the same hypothetical situation in which Louis Vuitton—of designer-clothing fame—becomes involved in a trademark dispute with the fictional Lilly Vuitton over a mark for lipstick. In another example, Mr. Katyal described a fictional mark SIKE for shoes. These hypothetical discussions presented some of the lighter moments of the arguments. For example, in discussing whether Mr. Katyal's hypothetical SIKE shoes would have a confusing resemblance but not confusing use, Justice Kennedy lightheartedly asked, "What is the answer? . . . I need to know."

**CONCLUSION**

The Justices during oral arguments were not clearly leaning one way or another. They asked both sides difficult questions, and pushed back hard at times when they disagreed with counsel. But they also allowed all three presenters significant stretches of time to talk, which could indicate that the Justices did not completely disagree.

B&B's argument that identical questions with identical evidence requires preclusion seemed to carry some weight. Chief Justice Roberts told Mr. Katyal that, "it seems to me you could prevail on the idea that when the [] uses are actually different it's not precluded, but when they are [] the same, it is. That's the basic preclusion rule."

Conversely, Hargis's argument—that the only time the Board is considering the same use questions as an infringement proceeding is in a "theoretical world"—may convince the Court that "the way it's done in practice" would never fairly require preclusion anyway. Mr. Katyal drove this point home near the end of his argument by saying, "the main banana is infringement. Congress has known that. That's the way it's been for hundreds of years. There isn't going to be any sidestepping of an infringement inquiry in an appropriate case. It's going to happen."

The opinion, which is expected to be released by April or May 2015, will affect how practitioners approach USPTO opposition and cancellation proceedings and district-court litigation.

Audio of the oral arguments is available here. A transcript of the oral arguments is available here.

Please click here to download a printable version of this article.

**Posted: December 10, 2014**