

IP Alert: Supreme Court Marks TTAB Decisions as Having Preclusive Effect



SUPREME COURT MARKS TTAB DECISIONS AS HAVING PRECLUSIVE EFFECT

By R. Gregory Israelsen

On March 24, 2015, the Supreme Court of the United States held in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, that some decisions by the Trademark Trial and Appeal Board (TTAB) may have a preclusive effect on judgments by federal district courts. Specifically, the Court held that “so long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”

In view of *B&B Hardware*, parties engaging in opposition and cancellation proceedings before the TTAB should carefully assess how much effort they are putting in, and be especially careful in their responses if their opponents are doing so. Additionally, while *B&B Hardware* focused on the preclusive effect of the TTAB’s decision regarding likelihood of confusion, the Court’s rationale was sufficiently broad that it potentially could be extended to other issues decided by the TTAB if the basic requirements for applying preclusion are met.

BACKGROUND

B&B Hardware and *Hargis* have been battling over their respective trademarks, *SEALTIGHT* and *SEALTITE*, for two decades. As the Court said, “[t]he full story could fill a long, unhappy book.” *B&B* first registered their *SEALTIGHT* mark in 1993, for threaded metal fasteners having a captive o-ring, for use in the aerospace industry. *Hargis* later sought to register *SEALTITE* for metal screws used for attaching sheet metal to wood or steel building frames. In addition to opposition and cancellation proceedings before the U.S. Patent and Trademark Office, “related infringement litigation has been before the Eighth Circuit three times[,] and two separate juries have been empaneled and returned verdicts.”

The thread of litigation that eventually ended up before the Court began in 2002, when the U.S. Patent and Trademark Office published SEALTITE in the Office Gazette as part of Hargis's application process. B&B opposed the registration, which led to opposition proceedings before the TTAB. The TTAB sided with B&B, finding that Hargis's SEALTITE mark would likely be confused with B&B's SEALTIGHT mark, and denied Hargis's application.

Meanwhile, in co-pending infringement litigation, the district court had not yet ruled on likelihood of confusion when the TTAB released its decision. B&B argued that the district court was bound to follow the TTAB's decision. The district court disagreed, and the jury found that there was not a likelihood of confusion. The Eighth Circuit affirmed the district court for three reasons: "first, because the TTAB uses different factors than the Eighth Circuit to evaluate likelihood of confusion; second, because the TTAB placed too much emphasis on the appearance and sound of the two marks; and third, because Hargis bore the burden of persuasion before the TTAB, while B&B bore it before the District Court." The Supreme Court granted certiorari.

THE COURT'S OPINION

Justice Alito authored the Court's Opinion. After giving a background on trademark law generally, and the dispute between the parties specifically, the Court addressed several threshold questions relevant to whether TTAB decisions could have a preclusive effect.

First, the Court discussed "whether an agency decision can ever ground issue preclusion." Citing to its 1991 decision in *Astoria Fed. Sav. & Loan Assn. v. Solimino*, the Court explained that "in those situations in which Congress has authorized agencies to resolve disputes, 'courts may take it as given that Congress has legislated with the expectation that the principle of issue preclusion will apply except when a statutory purpose to the contrary is evident.'" Notably, one of the primary arguments of the dissent was that—contrary to *Astoria's* statement in dicta—the issue of administrative preclusion was actually "far from settled." But this did not dissuade the majority, nor did any potential constitutional concerns.

Second, the Court looked for "an 'evident' reason why Congress would not want TTAB decisions to receive preclusive effect." The Court examined the text and the structure of the Lanham Act, finding that neither forbids issue preclusion. "Granted," the Court explained, "one can seek judicial review of a TTAB registration decision in a de novo district court action." But in that case, the "very TTAB decision under review" has no preclusive effect. But in "a separate proceeding to decide separate rights," the TTAB's analysis may preclude a district court's judgment on an overlapping issue.

Third, the Court considered "whether there is a categorical reason why registration decisions can never meet the ordinary elements of issue preclusion." The Court reasoned that just because "many registrations will not satisfy [the ordinary elements of issue preclusion], that does not mean that none will." Specifically, because "the same likelihood-of-confusion standard applies to both registration and infringement," preclusion applies at least in cases where the "mark owner uses its mark in ways that are materially the same as the usages included in its registration application." Thus, the Court limited issue preclusion to only those instances "where 'the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed.'" Justice Ginsberg further clarified her understanding of this limitation to the scope of the Court's opinion in a short

concurrence, stating “‘for a great many registration decisions issue preclusion obviously will not apply’ . . . because contested registrations are often decided upon ‘a comparison of the marks in the abstract and apart from their marketplace usage.’ When the registration proceeding is of that character, ‘there will be no preclusion.’”

Finally, after the Court reasoned that agency decisions can ground issue preclusion, that Congress would not be opposed, and that registration decisions can meet the elements of issue preclusion, the Court held that the proper rule for considering whether TTAB decisions have preclusive effect is: “so long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”

CONCLUSION

Going forward, the Court’s decision in *B&B Hardware* is likely to impact how applicants approach TTAB proceedings. While historically, as Justice Kagan pointed out during oral arguments, TTAB proceedings could cost as little as ten percent of district court infringement litigation, parties are likely to now spend more resources on compiling and submitting evidence, calling more witnesses, and engaging in more discovery when before the TTAB. Furthermore, dissatisfied parties will be more likely to appeal TTAB decisions to district courts, rather than risking unfavorable TTAB decisions potentially having a preclusive future effect.

On the other hand, the Court’s rule included the caveat that issue preclusion only takes effect “when the usages adjudicated by the TTAB are materially the same as those before the district court.” Additionally, parties may try to negotiate whether TTAB proceedings they are engaged in will be preclusive. A party wanting to avoid preclusion may also expressly state in their TTAB filings that they do not have much at issue and do not expect preclusion. Because parties who lose at the TTAB will undoubtedly argue that the Court’s exception should apply to their case when in district court, *B&B Hardware* may result in more, not less, confusion for district courts adjudicating trademark disputes.

The Court’s full opinion is available [here](#).

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