Supreme Court Raises the Stakes in TTAB Proceedings with B&B Hardware Decision

By Steve C. Barsotti and Jeffrey J. Nein

On March 24, the U.S. Supreme Court issued a 7-2 decision declaring that Trademark Trial and Appeal Board ("TTAB") rulings should be given preclusive effect when the TTAB's considerations are "materially the same" as those before a district court, provided the other "ordinary elements" of issue preclusion are established. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352 (U.S. Mar 24, 2015). The upshot of the Supreme Court's decision in *B&B Hardware* is that the stakes are raised in TTAB proceedings, with the outcomes having serious business consequences beyond the fate of the specific trademark registration at issue.

The majority opinion, penned by Justice Samuel Alito, factors into an 18-year-long dispute between B&B Hardware and Hargis Industries, both manufacturers of metal fasteners. In 1993, B&B registered the mark SEALTIGHT for metal fastener products for use in the aerospace industry. Hargis later attempted to register its SEALTITE mark with the U.S. Patent and Trademark Office in 1996 for metal fasteners use in construction of metal and post-frame buildings. B&B instituted an opposition proceeding with the TTAB, arguing against registration of Hargis' mark due to a likelihood of confusion with its prior-registered SEALTIGHT mark. The TTAB agreed with B&B and denied registration, citing a likelihood of confusion between the marks. Importantly, Hargis did not appeal the decision.

While the opposition proceeding was pending, B&B also filed a claim for trademark infringement against Hargis in federal district court. Prior to the district court's ruling, the TTAB announced its own ruling on likelihood of confusion. B&B moved for summary judgment arguing that Hargis was estopped from relitigating the issue of likelihood of confusion due to the preclusive effect of the TTAB's decision. The district court disagreed, stating that the TTAB's decision did not have preclusive effect. On appeal to the Eighth Circuit, the Court of Appeals also ruled in favor of Hargis, reasoning that issue preclusion was not appropriate since district courts utilize different criteria than the TTAB in evaluating a likelihood of confusion claim.

In March, the Supreme Court reversed the decision. Turning to the Restatement (Second) of Judgments for guidance, the Supreme Court announced there is no absolute rule precluding a TTAB decision from being given preclusive effect, noting that "[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." Restatement (Second) of Judgments §27, p. 250 (1980). Thus, even though district courts and the TTAB have minor differences (but not fundamental differences) in the details and procedures associated with determining the likelihood of confusion between two marks, as long as a final decision is reached by the TTAB on the same issue that is before a district court, deference should be given to the TTAB.

Litigants in administrative trademark proceedings and infringement suits will need to carefully craft their strategies on a case-by-case basis to account for the changing risk landscape.

Historically, resources devoted by parties to TTAB proceedings have been relatively scant (as contrasted with infringement actions), as a TTAB proceeding was often viewed as merely "Round 1" of a larger fight. Following the Supreme Court's decision, the possibility of a "Round 1" knockout is very real, meaning that parties need to keep their guard up. From a defense perspective, although risk clearly existed prior to the decision, the Court has now removed any doubt that an adverse decision from the TTAB (which cannot award monetary damages) can be used as leverage in an infringement action in federal district court (which can award damages). From a plaintiff's perspective, the ruling will force a strategic decision regarding forum to be made at the outset of a dispute, with the understanding that there will be no clear "second bite at the apple." From either perspective, the process of TTAB opposition and cancellation proceedings will likely begin to more closely resemble contentious, more costly litigation, and losing parties at the TTAB will be more likely to appeal.

The true impact of *B&B Hardware* will become clearer as litigants evolve their registration and enforcement strategies, and the courts begin applying the decision to TTAB rulings. Moreover, the TTAB may begin assigning greater weight to evidence of actual uses of a mark in the marketplace, uses which may be different in nature or scope from those listed in a registration, which will further impact litigation strategy.

In the meantime, litigants in administrative trademark proceedings and infringement suits will need to carefully craft their strategies on a case-by-case basis to account for the changing risk landscape. The only certainty is that TTAB proceedings are likely to become more costly fights.

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