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ALERTS

Intellectual Property Law Alert - Supreme Court Holds That Courts Should Give Issue Preclusive Effect To Trademark Trial Appeal Board Decisions

March 25, 2015 | Atlanta | Chicago | Columbus | Delaware | Elkhart | Fort Wayne | Grand Rapids | Indianapolis | Los Angeles | Minneapolis | South Bend

On March 24, the Supreme Court held in *B&B Hardware Inc., v. Hargis Industries Inc.,* No. 13-352 (2015) that "[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the [Trademark Trial and Appeal Board (TTAB)] are materially the same as those before the district court, issue preclusion should apply." (Slip Op. at 22)

The case is part of a long-running trademark dispute between B&B and Hargis over trademarks used with metal fasteners, such as screws, bolts and rivets. B&B obtained a federal trademark registration for its SEALTIGHT mark in 1993. In 1996, Hargis filed an application to register the mark SEALTITE. B&B opposed registration of Hargis' mark on the grounds that it is confusingly similar to its SEALTIGHT mark. At the same time, B&B sued Hargis for trademark infringement in federal district court. Before the court ruled, the TTAB found in favor of B&B, concluding that Hargis' SEALTITE mark was likely to cause confusion with B&B's mark.

B&B then argued in district court that the TTAB decision should be given issue preclusive effect and prevent Hargis from contesting likelihood of confusion. The district court disagreed and the jury returned a verdict in favor of Hargis, finding no likelihood of confusion.

The U.S. Court of Appeals for the 8th Circuit affirmed on appeal, finding that:

1. the TTAB uses different factors than the 8th Circuit to evaluate likelihood of confusion;
2. the TTAB placed too much emphasis on the appearance and sound of the two marks when deciding likelihood of confusion; and
3. erroneously, that Hargis bore the burden of persuasion before the TTAB while B&B bore it before the District Court.

Writing for a 7-2 majority Justice Samuel Alito found that "issue preclusion is not limited to those situations in which the same issue is before two courts. Rather, where a single issue is before a court and an administrative agency, preclusion also often applies." (Slip Op. at 9) Finding nothing in the Lanham Act indicating that Congress intended to bar issue preclusive effect of TTAB decisions, the Court rejected the 8th Circuit's primary reason for not applying issue preclusion, namely, that the TTAB and 8th Circuit consider different factors when deciding likely confusion. The Court held that the same standard, i.e. likelihood of confusion, applies to both registration and infringement proceedings and that the factors utilized by the TTAB and the 8th Circuit are not "fundamentally different." Parties "cannot escape preclusion simply by

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litigating anew in tribunals that apply that one standard differently." (Slip Op at 16)

Despite this holding, the Court also found that in certain circumstances issue preclusion may not apply. For example, "if a mark owner uses its mark in ways that are materially unlike the usages in the application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should have no later preclusive effect in a suit where actual use in the marketplace is the paramount issue.'" (Slip Op. at 18; quotations omitted) However, the Court was also careful to note that trivial variations between usages set out in the application and those in the marketplace do not create different issues. Furthermore, if the TTAB did not decide the same issue as the ones before the district court, there would be no issue preclusive effect. (Slip Op. at 19)

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