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Rethinking Trademark Enforcement Strategy after *B&B Hardware v. Hargis*

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"The full story could fill a long, unhappy book," Justice Alito wrote of the nearly 20 year torturous and tortuous history between the parties in the recent Supreme Court decision holding that registration decisions of the TTAB can have a preclusive effect in a subsequent federal district court trademark case. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 575 U.S. __ (2015), slip op. at 6.[1]

The *B&B Hardware* case involved two rival manufacturers of metal fasteners, albeit for use in different industries (aerospace and construction). In 1993, B&B registered SEALTIGHT for use in connection with certain "self-sealing" fasteners. Three years later, Hargis applied to register SEALTITE in connection with "self-piercing and self-drilling metal screws . . . ."[2] B&B opposed Hargis' registration, arguing before the TTAB that Hargis' SEALTITE mark was confusingly similar to B&B's. The TTAB agreed and denied registration of Hargis' SEALTITE mark. Hargis did not seek judicial review of that decision in the Federal Circuit or the district court.

While the TTAB proceeding was pending, B&B sued Hargis in district court for trademark infringement. After receiving a favorable outcome in the proceeding before the TTAB, B&B argued to the district court that Hargis could not contest likelihood of confusion because of the preclusive effect of the TTAB decision. The district court disagreed, finding that the TTAB is not a court of the judiciary and therefore its decision did not have preclusive effect. The Eighth Circuit affirmed holding that preclusion was unwarranted because the two actions were not the same – the TTAB applies different factors than the Eighth Circuit to evaluate likelihood of confusion.[3]

The Supreme Court granted certiorari, reversed the judgment, and remanded stating that the likelihood of confusion standards applied in registration proceedings before the TTAB and infringement suits in

[1] References to the majority opinion are noted herein as "slip op."
[2] *Id.*
[3] *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F.3d 1020, 1026 (8th Cir. 2013) *cert. granted sub nom. B&B Hardware, Inc. v. Hargis Indus., Inc.*, 134 S. Ct. 2899, 189 L. Ed. 2d 854 (2014) and *rev'd and remanded*, No. 13-352, 2015 WL 1291915 (U.S. Mar. 24, 2015).

federal court are effectively the same for purposes of issue preclusion – and that "minor variations … do not defeat preclusion." The Supreme Court further stated that even though the TTAB and district courts have different procedures, so long as the TTAB reaches a final decision on the same issue as that before the district court, deference should be given to the TTAB.

In reaching its decision, the Supreme Court first determined that an agency decision can ground issue preclusion. Next, the Court maintained that there was nothing in the Lanham Act that rebutted any presumption in favor of giving preclusive effect to TTAB decisions where the ordinary elements of issue preclusion were met. As a result, the Supreme Court determined that because there was no categorical reason why TTAB decisions would never meet the ordinary elements of issue preclusion, the fact "[t]hat many registrations will not satisfy those ordinary elements does not mean that none will."[4]

With this as the backdrop, the Court concluded that "likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement."[5] There is a large carve-out, however, for usages that are materially different from the usages in the application, and the Court noted, "[i]f 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 usage in the marketplace is the paramount issue.'"[6]

Justice Ginsburg echoed this limitation noting "that 'for a great many registration decisions issue preclusion obviously will not apply'"[7] "because contested registrations are often decided upon a comparison of the marks in the abstract and apart from their marketplace usage. . . ." and accordingly "there will be no [preclusion] of the likel[ihood] of confusion issue . . . in a later infringement suit. . . ..."[8]

This, of course, should cause concern for brand owners, despite Justice Ginsburg's attempt to highlight the limits of the Court's holding. A denial of registration at the USPTO was once easily distinguished from the ability to use a mark, but the *Hargis* decision serves a cautionary tale. No longer can they be viewed as insignificant administrative matters affecting only issues of registration and not use. A TTAB decision on the right to *register* a trademark could now determine a district court's later decision on the right to *use* that trademark in the market place. With the higher stakes of preclusion, parties on both sides of the "v" must consider putting their strongest case forward at the TTAB. This will effectively force parties to devote far more resources to an opposition and treat it akin to a quasi-judicial decision, with as much importance attached to it as infringement lawsuits. Typically streamlined opposition proceedings

[4] Slip op., at 15.
[5] Slip op, at 16.
[6] *Id.* (internal citation omitted).
[7] Ginsburg, J.., concurring (*quoting* Majority Opinion, slip op., at 14-15).
[8] *Id.* (internal quotations and citations omitted; brackets in original).

may evolve into something like full-scale litigation, with more discovery, more discovery disputes, and the submission of costly marketplace survey evidence, as well as appeals from unfavorable decisions, in order to assure that the elements of issue preclusion are met or not.

By way of one example, Hargis' failure to appeal the TTAB decision seems to have been fatal. The Court reasoned that Congress provided an opportunity for *de novo* review of TTAB decisions by a district court, and that an unchallenged TTAB decision would take the place of a district court decision to have preclusive effect. Consequently, parties will now need to seriously consider an appeal of an adverse decision or face the risk that a district court will find the TTAB's conclusions on confusion to be preclusive. While the Supreme Court repeatedly encouraged appealing "bad" decisions in its opinion, few parties have unlimited litigation budgets. Moreover, the fact that district courts will have discretion to evaluate issue preclusion on a case-by-case basis merely brings uncertainty to the process and forces parties to take a bet the company approach in TTAB proceedings.

While the full impact of *B&B Hardware* will become clearer as the courts and TTAB begin applying the decision, one thing is clear now: trademark owners will need to be more strategic in deciding where and how to protect and assert their trademark rights. A coordinated litigation strategy that factors in both the TTAB and district court proceedings is now more important than ever.

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