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Trademark Practitioners Beware: Issue Preclusion May Now Apply to TTAB Findings More Often Than You Think

September 3, 2015

Trademark owners and practitioners who took heart in the Supreme Court's seemingly confined holding that issue preclusion *can* but *does not necessarily* apply to likelihood of confusion determinations by the Trademark Trial and Appeal Board (TTAB) in *inter partes* proceedings have cause for concern after the Eighth Circuit issued a terse order last week reversing course in *B&B Hardware, Inc. v. Hargis Industries, Inc.* The Eighth Circuit's order should heighten practitioners' sensitivity to the risks of forgoing appeal of unfavorable TTAB determinations.

The Eighth Circuit's decision comes after more than a decade of litigation between the parties. B&B, owner of the SEALTIGHT mark, had successfully defeated Hargis's registration of the mark SEALTITE in opposition proceedings occurring simultaneously with infringement litigation commenced by B&B in federal district court. In the TTAB's decision denying registration (issued before the infringement action went to trial), it found a likelihood of confusion between the two marks. Critically, Hargis did not appeal the TTAB decision (which could have entitled Hargis to *de novo* review in federal court).

The infringement action continued apace and three years after the TTAB's decision, a jury agreed with Hargis, finding no likelihood of confusion between the two marks as used in the marketplace. *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 736 F. Supp. 2d 1212, 1214 (E.D. Ark. 2010). Although B&B argued that Hargis could not contest likelihood of confusion because of the preclusive effect of the earlier TTAB decision, the district court disagreed, *id.*, and the Eighth Circuit Court of Appeals affirmed, *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020, 1024 (8th Cir. 2013).

In rejecting the availability of issue preclusion, the Eighth Circuit's primary rationale was that the TTAB gave undue weight to the two marks' "appearance and sound when spoken" and not enough weight to "the marketplace usage of the marks and products," particularly the fact that "the types of fasteners are different and marketed to vastly different industries and customers." 716 F.3d at 1025. Because marketplace usage was "a critical determination of trademark infringement," application of issue preclusions was not appropriate. *Id.* at 1025-26.

The Supreme Court appeared to disagree. Justice Alito, writing for the majority, concluded that "the real question . . . is whether likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement." 1135 S. Ct. 1293, 1307. Because the same standard applies to both proceedings, issue preclusion applies even if the TTAB places undue or insufficient weight on a given factor. *Id.* at 1308-09. In that case, the aggrieved party's remedy is judicial review (*i.e.*, appeal from the TTAB to a federal court), not relitigation of the issue in a separate infringement action. *Id.*

Justice Alito nonetheless made an important point regarding consideration of marketplace conditions, holding that if the marks, goods, or channels of trade set forth in the application (or in the opposer's registration) differ from what actually occurs in the marketplace, and if the TTAB analyzes only what is on paper, then issue preclusion does not apply because the TTAB is not deciding the same likelihood of confusion issue as the federal court. *Id.* at 1307-08.

In her concurrence, Justice Ginsburg seized on the critical importance of marketplace conditions:

The Court rightly recognizes that "for a great many registration decisions issue preclusion obviously will not apply." That is so 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] of the likel[ihood] of confusion issue . . . in a later infringement suit."

Id. at 1310 (internal citations omitted).

However, last week's decision by the Eighth Circuit more than suggests that there is little if any meat to the requirement that the TTAB consider marketplace context. On remand from the Supreme Court, the Eighth Circuit vacated the district court's judgment in favor of Hargis, holding that "the ordinary elements of issue preclusion have been met and the usages of the marks adjudicated before the TTAB were materially the same as the usages before the district court." Slip Op. at 2. The Eighth Circuit cursorily concluded that "the TTAB compared the marks in question in the marketplace context," failing to make any mention of the court's prior finding that the TTAB *effectively failed to consider marketplace conditions* because it gave no weight to the fact that the types of fasteners sold by B&B and Hargis are different and that they are marketed to vastly different industries and customers. *Id.*

The Eighth Circuit's decision highlights the danger an aggrieved party now faces if it fails to appeal a TTAB decision that "considers" marketplace conditions, even if that consideration is deeply flawed. Trademark practitioners and their clients must not only be strategic in deciding where and how to protect their trademark rights, but they must also be vigilant in exercising their right to appeal unfavorable TTAB decisions.