

# Supreme Court Trademark Decision Creates More Questions Than Answers

By Dyan Finguerra-DuCharme\*

On March 24, 2015, in a 7-2 decision, the U.S. Supreme Court reversed the Eighth Circuit's decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, by holding that a Trademark Trial and Appeal Board ("TTAB") decision on the issue of likelihood of confusion has preclusive effect in a subsequent district court trademark infringement action "[s]o long as the other ordinary elements of issue preclusion are met [and] when the uses adjudicated by the TTAB are materially the same as those before the district court." 135 S. Ct. 1293, 1311 (2015).

The majority opinion, delivered by Justice Alito, came after an 18-year battle between the parties, which began when Hargis applied to register SEALTITE in 1996. B&B opposed Hargis's application, arguing before the TTAB that Hargis's SEALTITE mark was confusingly similar to B&B's SEALTIGHT mark, which was registered in 1993. The TTAB agreed with B&B and denied Hargis's registration. Even though it had the right to appeal, Hargis did not seek judicial review of the TTAB's decision in the Federal Circuit or district court.

In addition to initiating a TTAB opposition proceeding, B&B sued Hargis for trademark infringement in federal court. Before the district court ruled on the main issue of likelihood of confusion, the TTAB issued its decision denying Hargis's registration. B&B then argued to the district court that the TTAB's decision precluded Hargis from relitigating the issue of likelihood of confusion. The district court refused to apply collateral estoppel on the issue of likelihood of confusion and gave no deference to the TTAB decision. In the end, an Arkansas jury determined that there was no likelihood of confusion. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 736 F. Supp. 2d 1212 (E.D. Ark. 2010).

The Eighth Circuit affirmed the district court's decision to not accord collateral estoppel to the TTAB's finding. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F.3d 1020, 1025 (8th Cir. 2013). The court assessed whether the TTAB addressed the same matter as that

which was sought to be precluded and concluded that because the TTAB focused mainly on the registration and the application and not on the "marketplace context," its analysis was not entitled to either a preclusive effect or deference. B&B petitioned for certiorari, which the Supreme Court granted.

In the Supreme Court, the NYIPLA filed an amicus brief in support of the Respondents, arguing that TTAB decisions should not be given preclusive effect as a matter of course in a subsequent litigation between the parties concerning the same marks at issue before the TTAB. The NYIPLA further argued that on the rare occasion that the TTAB considered marketplace evidence so that the parties have had a full and fair opportunity to be heard, the court should give minimal evidentiary weight to the TTAB decision on the narrow issue of registrability.

While the Supreme Court did not adopt the NYIPLA's suggested approach, the Court's decision acknowledged and addressed the concerns raised in our brief. In particular, the thrust of the NYIPLA's main argument was that because critical information concerning marketplace usage is not assessed by the TTAB, its decision should not be given automatic preclusive effect in a subsequent litigation. Some examples of how the evidence presented in each forum differs are as follows: (1) if the drawing for at least one of the marks is in standard character form, the TTAB will compare the marks visually and phonetically without regard to the intended stylization, whereas a court will compare the marks as they appear in commerce, including the visual similarities, as well as the marks' actual pronunciation, stylization, and appearance; (2) the TTAB compares the goods as they are identified in the application and registration, which are oftentimes very broad and appear to overlap, whereas a court will look to the actual services rendered or goods sold bearing the mark; (3) if the channels of trade and targeted consumers are not limited in either the registration or application, the TTAB will presume

that the goods/services travel through normal channels and are targeted to ordinary purchasers of the identified goods/services; in contrast, a court will consider the actual channels of trade and targeted consumers, including retail price points, packaging, advertising, and merchandising markets.

The Court addressed these concerns by ruling that “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 usage in the marketplace is the paramount issue.’” 135 S. Ct. at 1308 (quoting 6 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 32:101, at 32-247 (4th ed. 2014)).

In a concurring opinion, Justice Ginsburg echoed the majority’s observation that “for a great many registration decisions issue preclusion obviously will not apply,” because contested registrations are usually decided based on a “comparison of marks in the abstract and apart from their marketplace usage.” Under those circumstances, “there will be no [preclusion] of the likel[ihood] of confusion issue.” 135 S. Ct. at 1310 (Ginsburg, J., concurring) (quoting 6 McCarthy on Trademarks § 32:101, at 32-247).

It remains to be seen how the *B&B Hardware* decision will affect practice before the TTAB. Often TTAB proceedings are initiated to test the waters and/or to keep the Register “clean.” Before *B&B Hardware*, the issue was solely whether the applicant can *register* the mark, not whether it can *use* the mark. Because of that critical difference, parties often choose not to present the same evidence before the TTAB that they would present in federal court because the TTAB has been quite clear that it looks only to the identification of goods in the registration and application and presumes that a standard character mark can appear in any stylization. Now litigants are in a quandary – do they submit marketplace usage to the TTAB or do they stick to arguments related to the identified goods and hope that the decision will not be given preclusive effect? Does the TTAB have to consider marketplace usage even if it broadens or narrows

the identified goods? How does the TTAB treat visual and commercial impression similarities if the application and registration are in standard character form yet the stylization of the respective marks in the marketplace are clearly distinctive and different? When is actual usage not the paramount issue in an infringement case?

In response to a TTAB opposition filing, an applicant must now consider whether its resources are better spent in a declaratory judgment action given that there is a significant chance that the TTAB decision will ultimately determine whether it may use the mark at issue. If litigants are going to spend more money on the issue of confusion, they might as well do so in federal court where they can take advantage of live testimony, broader survey designs, and live judicial intervention throughout the case rather than just at oral argument after trial briefing is complete.

TTAB Chief Administrative Trademark Judge Gerard F. Rogers will be the keynote speaker at the Trademark Law & Practice Committee’s annual Half-Day Program set for July 15, 2015. The NYIPLA is looking forward to hearing from Judge Rogers about the TTAB’s reaction to *B&B Hardware* and gaining insights with respect to proposed changes to the Trademark Trial and Appeal Board Manual of Procedure (TBMP) in light of the decision.



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