

March 24, 2015

The U.S. Supreme Court has ruled that Trademark Trial and Appeal Board ("TTAB") decisions on likelihood of confusion in disputes over registration may preclude relitigation of the issue in a later suit for trademark infringement—if the circumstances in the two cases are "materially the same." The high court's March 24, 2015 decision raises the stakes in opposition and cancellation cases, because a TTAB decision on *registration* may now also determine whether a court will bar someone from *using* a trademark.

The case involved a long-running dispute in which B&B Hardware, Inc., which used the trademark SEALTIGHT for metal fasteners for aerospace use, challenged Hargis Industries, Inc.'s claim to the mark SEALTITE for metal screws used in manufacturing buildings. Siding with B&B in a trademark opposition proceeding, the TTAB refused to grant Hargis registration of its mark on the ground of likelihood of confusion. B&B then sued Hargis for trademark infringement in federal court, and argued that the TTAB's finding bound the court and could not be relitigated, under the doctrine of "issue preclusion."

A trademark opposition or cancellation is similar to a federal court case, but it is decided on a paper record rather than a trial with live witnesses, and the only relief the panel of three TTAB administrative judges can give is to refuse or cancel a trademark registration. The TTAB cannot enjoin anyone from using a trademark or order monetary relief—for that, a complainant must bring an action for trademark infringement in court.

Issue preclusion, also called "collateral estoppel," means that a decision on an issue directly involved in one legal proceeding is binding in a second action between the same parties. "Likelihood of confusion" is a ground for denying trademark registration as well as the touchstone for trademark infringement, and B&B argued that because the TTAB found that SEALTIGHT and SEALTITE were likely to be confused, the federal district court was bound by that finding in the infringement case.

The district court disagreed, saying that only decisions of constitutionally-authorized courts, and not administrative agency panels like the TTAB, can have preclusive effect. The Court of Appeals for the Eighth Circuit also ruled for Hargis, but for another reason: that the TTAB used different criteria than the courts use for determining likelihood of confusion.

Reversing the appellate court, the Supreme Court held that despite the fact that in some cases the TTAB will consider likelihood of confusion in the abstract, on the narrow basis of how the parties' products are defined in their trademark applications, rather than in the "real-world" marketplace context, there is no absolute rule against giving a TTAB decision preclusive effect in a federal district court.

The Court said: "So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply."

Going forward, to get the benefits of issue preclusion in a later infringement case, plaintiffs in TTAB opposition and cancellation cases may increasingly offer evidence of actual use of the marks in the marketplace, like courts consider in deciding likelihood of confusion. That may tend to make TTAB adversarial proceedings more complicated, as plaintiffs build more extensive evidentiary records with a subsequent infringement action in mind. But it also may streamline the ensuing infringement litigation.

The decision is *B&B Hardware Inc. v. Hargis Industries Inc.*, No. 13-352 (U.S., Mar. 24, 2015).

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