

Supreme Court Holds that TTAB Decisions May Have Preclusive Effect in Federal Court Actions

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Intellectual Property Rights

B&B Hardware, Inc. v. Hargis Indus., Inc., et al., 575 U.S. ____ (2015).

In a 7-2 ruling issued on March 24, 2015, the Supreme Court held that an administrative decision by the Trademark Trial and Appeal Board (“TTAB”) as to whether one trademark is likely to cause confusion with another should be given preclusive effect by federal district courts faced with the same question in trademark infringement cases, if the traditional test for preclusion is otherwise met.

The decision reversed a ruling by the Eighth Circuit, which had found that the likelihood of confusion standards applied by the TTAB in the context of a registrability proceeding are materially different from the standards applied by federal courts considering trademark infringement claims. The decision also rejected the argument that the stakes of registrability proceedings were too low and the procedural mechanisms too distinct from those available in federal courts for the TTAB decisions to give rise to issue preclusion in federal courts.

However, the Court also stated that “if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue” and, as a result, “the TTAB’s decision should ‘have no later preclusive effect in a suit where actual use in the marketplace is the paramount issue.’” (Quoting 6 McCarthy § 32:101, at 32-246.)

The Supreme Court’s *B&B Hardware* decision thus raises the stakes for United States Patent and Trademark Office (“USPTO”) filings and TTAB proceedings, given that the TTAB’s administrative decisions may now have effects far beyond a party’s right to registration. The decision will affect strategic decisions parties make as to whether to litigate in the TTAB, whether to appeal adverse TTAB decisions, and whether and when to assert infringement claims in federal district courts.

In addition, although the Court’s decision addresses the preclusive effect of TTAB decisions only with respect to the likelihood of confusion issue, it can be expected that courts will soon be urged to conclude that the rationale of the Court’s decision is equally applicable to TTAB decisions on other issues that arise in trademark infringement actions, including priority, descriptiveness, genericness, abandonment, fame and dilution issues.

Background

B&B Hardware (“B&B”) owned a federal trademark registration for the mark SEALTIGHT that covered metal screws for use in the aerospace industry. Hargis Industries (“Hargis”) filed an application for registration of the mark SEALTITE for metal screws for use in the construction trade. B&B brought a trademark infringement action in federal district court and concurrently opposed registration in an administrative proceeding before the TTAB.

At issue in both proceedings was the “likelihood of confusion” between the two marks—that is, whether consumers are likely to be confused as to the source of the goods to which the marks apply. The TTAB decided the issue first, finding that a likelihood of confusion existed and refusing registration of Hargis’ mark SEALTITE on that ground as well as others. B&B then pointed to the TTAB decision in the district court, arguing that Hargis could no longer contest likelihood of confusion as the issue had already been decided. The district court disagreed, and the jury found no likelihood of confusion. B&B appealed to the Eighth Circuit, which affirmed the district court’s holding and found no issue preclusion.

The Decision

The Supreme Court reversed. Writing for the majority, Justice Alito said that issue preclusion may apply to findings by the TTAB, because Congress gave the USPTO the authorization to resolve disputes through TTAB proceedings and there was no evident statutory purpose suggesting that issue preclusion should not apply to the TTAB’s decisions.

However, the established elements of issue preclusion must still be met, including the requirement that the likelihood of confusion analysis in the court case be based on materially the same facts as in the TTAB proceeding. The Court noted—and Justice Ginsburg wrote separately to emphasize—that this often will not be the case, as the TTAB generally considers only the uses contained in trademark applications and registrations whereas federal courts can also consider uses in the marketplace.

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