

2016

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Recommended Citation

Rebecca Knight, *TTAB Decisions No Longer the “Red-Headed Stepchild” of Precedential Authority*, 1 U. Cin. Intell. Prop. & Computer L.J. (2016)

Available at: <http://scholarship.law.uc.edu/ipclj/vol1/iss1/3>

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TTAB Decisions No Longer the “Red-Headed Stepchild” of Precedential Authority

By: Rebecca Knight

On March 24, 2015, the Supreme Court announced its second decision on substantive trademark law in nearly a decade in *B&B Hardware, Inc. v. Hargis Industries*.¹ The Court held that the findings of the Trademark Trial and Appeals Board (“TTAB”) should have a preclusive effect if the ordinary elements of issue preclusion are met, and the issues adjudicated by the TTAB are materially the same as those before an Article 3 federal court.² Before *B&B Hardware*, TTAB proceedings were viewed by many as having much lower stakes than their district court counterparts.³ The TTAB was simply for arguing over the registration of a trademark, while the district courts were where infringement and real-world use came into play.⁴ That dynamic has been dramatically shifted. With the TTAB’s decisions now carrying the potential for significant precedential value, litigants will need to seriously consider how an adverse decision in the administrative proceeding could foil future efforts in court.

SEALTIGHT versus SEALTITE

The Supreme Court’s decision in *B&B Hardware* ended an 18 year battle between B&B Hardware, Inc. (“B&B”) and Hargis Industries, Inc. (“Hargis”).⁵ The battle stemmed from B&B’s manufacturing of SEALTIGHT, a metal fastener for use in the aerospace industry⁶, and Hargis’s manufacturing of SEALTITE, a metal screw for use in the construction industry.⁷ B&B registered SEALTIGHT with the Patent and Trademark Office (“PTO”) in 1993.⁸ In 1996, Hargis sought to register SEALTITE.⁹ Although the companies sell different products, B&B opposed Hargis’s registration because it believed that SEALTITE was confusingly similar to SEALTIGHT.¹⁰ B&B’s opposition led to the SEALTIGHT versus SEALTITE controversy bouncing around the PTO for nearly two decades with related infringement litigation before the 8th Circuit three times and two separate jury verdicts.¹¹ In 2002, the PTO published SEALTITE in the Official Gazette¹²,

prompting opposition proceedings before the TTAB.¹³ Opposition proceedings before the TTAB are very similar to civil proceedings in federal court.¹⁴ These proceedings are governed by the Federal Rules of Civil Procedure and Evidence, discovery and depositions are allowed, and the party opposing registration bears the burden of persuasion.¹⁵ The main differences are that TTAB proceedings do not have live testimony and there is no right to a jury.¹⁶

During the TTAB proceedings, B&B argued that a likelihood of confusion was created because both companies had an online presence, both companies' products were being sold by the largest distributors of fasteners, and customers had sometimes called the wrong company to place orders.¹⁷ Hargis countered that the likelihood of confusion was low because the companies sold different products, for different uses, to different customers, through different industries.¹⁸ The TTAB agreed with B&B, finding that SEALTITE was likely to cause confusion, and therefore could not be registered.¹⁹ Hargis did not seek judicial review of the TTAB's decision in the Federal Circuit or District Court, despite having the right to do so.²⁰

Meanwhile, B&B also had a suit pending against Hargis for trademark infringement in district court.²¹ Before the district court had rendered its decision on the issue of likelihood of confusion, the TTAB announced its decision against registering Hargis's mark.²² In light of the TTAB's decision, B&B argued to the district court that Hargis could not contest likelihood of confusion because the TTAB's finding had preclusive effect.²³ The district court disagreed with B&B, reasoning that the TTAB's findings cannot have preclusive effect because the agency is not an Article III court.²⁴ The case was submitted to the jury, and the jury returned a verdict for Hargis finding no likelihood of confusion.²⁵ B&B appealed to the Eighth Circuit, which affirmed for three reasons: (1) the TTAB uses different factors than the Eighth Circuit to determine the likelihood of confusion; (2) the TTAB placed too much emphasis on the appearance and

sound of the marks; and (3) Hargis bore the burden of persuasion before the TTAB, but did not bear the burden before the District Court.²⁶ B&B appealed again and the Court granted certiorari.²⁷

The Supreme Court’s Decision

The issue before the Supreme Court was whether the district court should have applied issue preclusion to the TTAB’s decision that SEALTITE was confusingly similar to SEALTIGHT.²⁸ In a 7-2 decision, the Court answered with a resounding yes, reversing the Eighth Circuit’s decision, and remanding the case for further consideration applying the following rule: “[s]o 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.”²⁹

First, the Court determined that agency decisions can ground issue preclusion.³⁰ Relying on prior precedent³¹ and the Restatement (Second) of Judgments,³² the Court determined that issue preclusion is not limited to situations where the same issue is before two courts, but also applies when the same issue is before an administrative agency and a court.³³ The purpose of issue preclusion is to prevent the losing party from trying to take a second bite of the apple.³⁴ Therefore, when an administrative agency is acting in a judicial capacity, the parties have had an opportunity to be heard, and the disputed issues are properly resolved, issue preclusion should be applied.³⁵

Next, the Court determined that there is no evident reason why Congress would not want TTAB decisions to have preclusive effect, and nothing in the Lanham Act³⁶ bars the application of issue preclusion in cases where the ordinary elements of issue preclusion are met.³⁷ Finally, the Court determined that the standard for the likelihood of confusion was the same for both registration and infringement purposes for three reasons: (1) the operative language is essentially the same; (2) the likelihood-of-confusion language used in the Lanham Act is the same language that has been central to trademark registration since 1881; and (3) district courts can cancel registrations during infringement

litigation, just as they can resolve infringement in suits seeking review of the TTAB's registration decisions.³⁸ As long as the same facts, issues, and marks were evaluated by the TTAB, the district court should give deference to its decision.³⁹

Ultimately, the Court found that TTAB decisions can have preclusive effect, but it was careful to enunciate that its decision would not apply to a "great many registration decisions" because the ordinary elements of issue preclusion would not be met.⁴⁰ For example, if a mark owner uses its mark in ways that are materially similar to the usages included in its trademark registration application, then the TTAB would be deciding the same likelihood-of-confusion issue as a district court in an infringement suit.⁴¹ However, if a mark owner uses its mark in ways that are materially dissimilar from the usages in its application, then the TTAB would not be deciding the same issues as a district court would in an infringement suit.⁴² Therefore, if the TTAB's decision did not consider the marketplace usage of the parties' marks (which can be an important factor in an infringement suit) then the decision would not have any later preclusive effect.⁴³ The TTAB's decision would also lack preclusive effect if a different mark altogether was considered, or if the issue decided by the TTAB was not the same issue before the district court.⁴⁴ Thus, only certain TTAB decisions will be able to preclude a party who receives an adverse decision at the TTAB from prevailing in an infringement suit.

The Impact of *B&B Hardware* on Future Cases

The Court presents *B&B Hardware* as a no-brainer with limited reach, but the decision should raise some serious practical implications for litigants to consider before proceeding before the TTAB. First, litigants must be careful to develop a full and robust record when going through the registration process. If TTAB decisions can have a preclusive effect, parties will want to spend more time and expend more energy to aggressively litigate cases before the board to ensure that its interests are adequately represented. This will take more effort, and could delay the registration process overall.

Second, litigants will need to carefully weigh their options and determine whether the TTAB should be avoided altogether. Litigants can avoid the preclusive effects of TTAB decisions by seeking *de novo* review through an appeal to the district court.⁴⁵ In this instance, Hargis did not seek judicial review in the Federal Circuit or the District Court.⁴⁶ This proved to be a fatal flaw in defending its position, because it guaranteed that the TTAB’s decision would have a preclusive effect. It is possible, if Hargis had sought review, that things could have turned out more favorably for it. Litigants also have the option of going directly to the district court to sue for infringement and cancellation of a registration, completely avoiding a TTAB decision.⁴⁷

All in all, it is not yet certain how *B&B Hardware* will affect the manner in which litigants handle oppositions to trademark registration and trademark infringement cases. But one thing is certain: the TTAB’s decisions are no longer the “red-headed stepchild” of precedential authority. The Court has elevated the board’s decisions to heights it has never seen before.

¹ *B&B Hardware, Inc. v. Hargis Indus.*, ___ U.S. ___ (2015).

² *Id.* at ___ (slip op. at 8-22).

³ *See, e.g.*, Ryan Davis, *Taking Stock of the 5 Supreme Court IP Decisions This Term*, Law360 (June 24, 2015), <http://www.law360.com/articles/669267/taking-stock-of-the-5-supreme-court-ip-decisions-this-term>.

⁴ *Id.*

⁵ *B&B Hardware, Inc.*, ___ U.S. ___ (slip op. at 6).

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² If a trademark examiner believes that a mark should be registered, the mark is published in the Official Gazette of the PTO. 15 U. S. C. § 1062. At that point, any individual that believes they would be damaged by the registration of the mark, can file an opposition. § 1063(a). Opposition proceedings occur before the TTAB. § 1067(a).

¹³ *B&B Hardware, Inc.*, ___ U.S. ___ (slip op. at 6).

¹⁴ Due to the complex history of the case, the Court noted: “[t]he twists and turns in the SEALTIGHT versus SEALTITE controversy are labyrinthine” and that “[t]he full story could fill a long, unhappy book.” *Id.* at ___ (slip op. at 4-5).

¹⁵ *Id.*

¹⁶ *Id.* at ___ (slip op. at 5).

¹⁷ *Id.* at ___ (slip op. at 7).

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.* at ___ (slip op. at 8).

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.* at ___ (slip op. at 2).

²⁹ *Id.* at ___ (slip op. at 22).

³⁰ *Id.* at ___ (slip op. at 8).

³¹ See *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394 (1966)(finding that courts have never hesitated to apply res judicata to enforce repose when an administrative agency is acting in a judicial capacity and the parties have an adequate opportunity to litigate); *Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104, 108 (1991)(“Courts may take it as given that Congress has legislated with the expectation that the principle [of issue preclusion] will apply except when a statutory purpose to the contrary is evident.”).

³² See Restatement (Second) of Judgments §27 (“When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”).

³³ *B&B Hardware, Inc.*, ___ U.S. ___ (slip op. at 9).

³⁴ *Id.* at ___ (slip op. at 8-9).

³⁵ *Id.* at ___ (slip op. at 9-10).

³⁶ Federal law does not create trademarks but Congress has played a role in protecting them through the Lanham Act. The Act creates two adjudicative mechanisms to help protect marks: (1) a trademark owner can register its mark with the PTO; and (2) a mark owner can bring a suit for infringement in federal court. 15 U.S.C. § 1051 et seq.

³⁷ *B&B Hardware, Inc.*, ___ U.S. ___ (slip op. at 12-13).

³⁸ *Id.* at ___ (slip op. at 16-17).

³⁹ *Id.* at ___ (slip op. at 18-20).

⁴⁰ *Id.* at ___ (slip op. at 14-15).

⁴¹ *Id.* at ___ (slip op. at 18).

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at ___ (slip op. at 19).

⁴⁵ After the TTAB decides whether to register a mark, a party can seek review in the U.S. Court of Appeals for the Federal Circuit, or file a new action in district court. 15 U. S. C. § 1071. In the district court, parties can conduct additional discovery and the judge will resolve registration disputes *de novo*. § 1071(b).

⁴⁶ *B&B Hardware, Inc.*, ___ U.S. ___ (slip op. at 7).

⁴⁷ Ryan Davis, *Taking Stock of the 5 Supreme Court IP Decisions This Term*, Law360 (June 24, 2015).