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SCOTUS holds that TTAB decisions can have preclusive effect on federal courts

By Troy K. Lieberman

Earlier today, the Supreme Court held that decisions by the Trademark Trial and Appeal Board (the "TTAB") may have preclusive effects in trademark infringement litigation in district courts. The Supreme Court ruled that there should not be a bright-line rule, preventing issue preclusion of TTAB decisions. If other elements of issue preclusion have been met, when the use of a mark adjudicated by the TTAB is materially the same as those presented before the district court in an infringement suit, issue preclusion may apply.

The Supreme Court reversed the Eighth Circuit and held that a district court's decision on the "likelihood of confusion" could be precluded by an earlier finding on the same issue by the TTAB. The Court's ruling resolves a circuit split. The Third and Seventh Circuit give TTAB decisions preclusive effects when the facts and the analyses are essentially the same. Other circuits, such as the Eighth, invoke a bright-line rule that there can be no issue preclusion, even in such scenarios. The Supreme Court was clear that issue preclusion may apply and bright-line rules are inappropriate.

In *B&B Hardware, Inc. v. Hargis Indus., Inc.*, No. 13-352, the Supreme Court ruled on an ongoing trademark dispute dating back nearly twenty years. In short, B&B Hardware registered the mark SEALTIGHT in conjunction with metal fasteners. B&B Hardware later opposed Hargis' attempt to register the mark SEALTITE because it was confusingly similar. The TTAB ultimately agreed and held that Hargis' SEALTITE mark could not be registered.

At the same time as the opposition proceeding, B&B Hardware had also sued Hargis for trademark infringement in the Eastern District of Arkansas. The TTAB decision came out before the district court had an opportunity to rule on the "likelihood of confusion." Thereafter, B&B Hardware argued that Hargis could not contest the likelihood of confusion at the district court because of the preclusive effect of the TTAB decision. The district court disagreed and ruled that an agency, such as the TTAB, could not ground issue preclusion, since it was not an Article III court. After trial, a jury found in favor of Hargis, finding there was no likelihood of confusion.

B&B Hardware appealed the decision. The Eighth Circuit, while accepting that agency decisions could ground issue preclusion, affirmed the lower court's ruling on three bases: (1) because the TTAB uses different factors than the Eighth Circuit to evaluate likelihood of confusion; (2) because the TTAB placed too much emphasis on the appearance and sound of the two marks; and

(3) because Hargis bore the burden of persuasion before the TTAB, while B&B bore the burden before the district court.

The Supreme Court granted certiorari, overturned the Eighth Circuit and remanded back to the district court for a determination of whether issue preclusion should apply.

Justice Alito, writing for the 7-2 majority, held that issue preclusion is not limited to situations in which the same issue is before two *courts*. Rather, issue preclusion may apply between an administrative agency and a court, when that agency "is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate".

Next, the Court held nothing in the Lanham Act, which governs trademark infringement, among other things, forbids issue preclusion. The Court noted the importance that registration of a trademark is not a prerequisite to an infringement action. Since it is a separate proceeding to decide separate rights, issue preclusion may therefore be appropriate.

Finally, the Court held that there is simply no categorical reason why registration decisions could never meet the ordinary elements of issue preclusion. The Court repeatedly noted throughout the decision that while many, if not most, registrations will not satisfy these ordinary elements (namely, the focus on differing uses of the marks), it does not mean that none ever will.

The Supreme Court rejected the Eighth Circuit's unconditional holding that the TTAB considers different factors than a district court, finding that "minor variations in the application of what is in essence the same legal standard do not defeat preclusion." The Court held that the same likelihood of confusion standard applies in both registration and infringement. Hargis had argued that the TTAB only reviews marks in connection to the uses described in the trademark application, whereas a district court is not so limited and reviews a mark in connection to its real-world uses. While agreeing with Hargis, the Court then noted that in cases where the real world uses differed from those in the application, issue preclusion would not be appropriate (and indeed, this may be the majority of cases). However, that does not bar issue preclusion in *all* cases. So, where the real world uses of a mark line up squarely with those described in the application, issue preclusion may be appropriate. The Court was very clear that "[i]f a mark owner uses the mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation. By contrast, 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."

The Court's decision will likely have a large effect on the way TTAB proceedings are litigated and the relative importance parties place on such proceedings. Now, TTAB proceedings no longer only affect a party's right to registration, but may affect subsequent trademark infringement litigation. Trademark registrants and owners now need to be aware that their rights to use a mark may be decided in a TTAB proceeding over registration. We expect to see the level of advocacy and cost increase for TTAB proceedings as a result of today's decision.

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