Supreme Court Rules that TTAB Decisions Can Have Preclusive Effect in Federal Court

On March 24, 2015, in a trademark dispute captioned *B&B Hardware Inc. v. Hargis Indus., Inc.*, No. 13-352, the United States Supreme Court determined that "likelihood of confusion for purposes of registration [of a trademark] is the same standard as likelihood of confusion for purposes of infringement." Accordingly, the Court held that federal courts must recognize the preclusive effect of Trademark Trial and Appeal Board (TTAB) determinations on that issue when "the ordinary elements of issue preclusion are met."

In 2002, the U.S. Patent and Trademark Office (USPTO) published Respondent Hargis Industries' application to register SEALTITE, prompting Petitioner B&B Hardware, Inc. ("B&B") to oppose registration of that mark based on its own rights in the SEALTIGHT mark. Both companies manufacture metal fasteners, but for use in different industries: B&B's fasteners are used in the aerospace industry, while the Hargis Industries ("Hargis") fasteners are for the construction trade.

Concurrently with the opposition before the TTAB, B&B also brought a lawsuit for trademark infringement in federal court. While that lawsuit was pending, the TTAB granted B&B's opposition, determining that Hargis's intended use of SEALTITE for its product was likely to cause confusion with B&B's use of the SEALTIGHT mark for its own product, and thus was not entitled to registration. Hargis did not appeal the TTAB's decision. Subsequently, the district court determined that the TTAB's finding of a likelihood of confusion did not have a preclusive effect on the federal court proceeding, and the jury returned a verdict for Hargis. The Eighth Circuit agreed with the district court, and rejected preclusion on the basis that the TTAB had not considered and did not decide the same likelihood of confusion issues presented to the district court. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F. 3d 1020, 1026 (8th Cir. 2013).

B&B appealed to the Supreme Court on the issue of whether the district court should have given preclusive effect to the TTAB's likelihood of confusion determination.

Writing for a 7-2 majority of the Supreme Court, Justice Alito noted the Court "has long recognized" the general rule that once the parties have litigated an issue of law or fact to a final determination, even in administrative proceedings, that determination has a preclusive effect on the consideration of the same issue in a subsequent proceeding between the same parties. The Court rejected as unpersuasive Respondent's argument that, while issue preclusion may apply to some administrative agencies' decisions, the Lanham Act does not authorize such preclusion. It also refused to decide the issue differently simply because Respondent claimed that to read the Lanham Act broadly "might" be unconstitutional or "might" raise Article III concerns. Notably, the Court distinguished a scenario in which "a party urged a district court reviewing a TTAB registration decision to give preclusive effect to the very TTAB decision under review"— in such cases, issue preclusion would not apply.

The Court then considered the likelihood of confusion inquiry used by the TTAB, which applies the factors set forth in *In re E. I. DuPont DeNemours & Co.*, 476 F. 2d 1357 (C.C.P.A. 1973), and the likelihood of confusion inquiry used by the Eighth Circuit, which applies the factors identified in *SquirtCo v. Seven-Up Co.*, 628 F. 2d 1086 (8th Cir. 1980). The Court also considered Respondent's argument that the TTAB often limits its analysis to the marks, goods, and services as set forth in the application and registration(s) at issue in the opposition rather than the marks, goods, and services as actually used in the marketplace. Despite acknowledging that "the TTAB does not always consider the *same usages* as a district court does," the Court found the *standards* applied to both such usages to be materially the same. In coming to this conclusion, the Court underscored that the real question at issue "is whether likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement." The Court

concluded that it was. Accordingly, it held that even though the TTAB's likelihood of confusion analysis in many opposition proceedings may not satisfy the ordinary elements of issue preclusion, for those cases that do satisfy those elements, issue preclusion should apply.

Justice Ginsburg filed a concurring opinion to emphasize that no preclusive effect will apply to the TTAB's likelihood of confusion analysis in cases where the decision is based solely upon a comparison of the marks in the abstract, without consideration of their use in the marketplace. Justice Thomas, joined by Justice Scalia, issued a dissenting opinion finding that there was no justification to apply the presumption of a preclusive effect of agency decisions to Lanham Act cases, or, more generally, to any decisions by a non-Article III tribunal.

The effects of this decision are likely to be significant to both trademark litigants and the TTAB itself. Given the potentially preclusive effect of TTAB determinations of likelihood of confusion, parties may either decide to litigate their TTAB actions more vigorously or skip them entirely in favor of litigation in the federal courts. As for the TTAB, it may decide to better harmonize its analysis with that used by the federal courts by (for example) giving greater weight to how the marks it considers are used in the marketplace. Moreover, while the *B&B* decision only addresses the preclusive effect of likelihood of confusion, its logic reasonably could apply to the TTAB's determinations on other issues, such as dilution, fame, priority, abandonment, genericness, estoppel, and many more. In addition, although the decision did not address likelihood of confusion decisions made by USPTO examining attorneys during the trademark examination process (which are *ex parte*), it will be interesting to observe whether courts afford any greater evidentiary weight to such examination decisions following *B&B*. Parties are likely to explore the further implications of *B&B* on all of these issues, in both federal court and TTAB litigation, in the months to come.

To find out how the Supreme Court's decision in *B&B* affects your interests, please contact your usual Ropes & Gray attorney or one of the following Ropes & Gray attorneys.

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