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Breaking News in Trademark Cases: TTAB Decisions Can Have Preclusive Effect in Federal Court

Yesterday, with a 7–2 vote, the U.S. Supreme Court issued a high-profile trademark decision, ruling that certain likelihood of confusion matters adjudicated by the Trademark Trial and Appeal Board (“TTAB”) can have preclusive effect in federal court. Specifically, the Court held that—as long as the other elements of issue preclusion are met—if the usages adjudicated by the TTAB are materially the same as those before a district court, then issue preclusion should apply.

So, what does this mean in practical terms? For business folks, this means that certain TTAB proceedings may have the same eventual effect as a lawsuit, thus increasing your legal budget spend due to what will likely be more aggressive tactics in the TTAB (or the avoidance of the TTAB altogether, with a new “straight to the courthouse” approach). For a trademark lawyer, this potentially changes the game with respect to trademark litigation strategies previously employed, as will be discussed further below.

Background

In the instant case, Hargis Industries, Inc. (“Hargis”) attempted to register SEALTITE for use in connection with “self-piercing and self-drilling metal screw for use in the manufacture of metal and post-frame buildings.” B&B Hardware, Inc. (“B&B”) opposed the application citing its registered mark SEALTIGHT for “threaded or unthreaded metal fasteners and other related hardwar[e]; namely, self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring, for use in the aerospace industry.” Ultimately, the TTAB applied the likelihood of confusion factors of *Dupont*—focusing on the similarities of the marks and the similarity of the goods—and decided that SEALTITE could not be registered as it was likely to cause confusion with the existing registration for SEALTIGHT.

B&B also sued for infringement in District Court and argued, among other things, that Hargis could not contest the infringement lawsuit on a likelihood of confusion basis, in light of the preclusive effect of the TTAB's decision. The District Court disagreed, and the jury returned a verdict finding no likelihood of confusion. B&B appealed all the way to the U.S. Supreme Court.

Decision

At the outset, the Court noted that the same likelihood of confusion standard applies to both an opposition and an infringement analysis. The difference in semantics between the TTAB's likelihood of confusion factors and those factors applied by the Eighth Circuit did not rise to the level of a different legal standard. Likewise, the Court noted that procedures employed by the TTAB and district courts are the largely same (even pointing to the fact that the TTAB adopted almost all of Rule 26 of the Federal Rules of Procedure). Finally, the Court noted that the stakes at the registration level are not so low as to stop issue preclusion in later infringement litigation.

Next, the Court spoke to the fundamental difference between the TTAB and district courts, namely, that the TTAB does not always consider the same usages as a district court. As such, in cases where the "TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should 'have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.'" That said, where the usages are materially the same in the TTAB proceeding and the federal litigation, issue preclusion will apply and trivial variations in use will not be enough to stop it. Of course, the Court was careful to note that the underlying elements of issue preclusion must be met. Those elements are: (1) an identical issue; (2) that has been actually litigated, and the party against whom collateral estoppel is being asserted must have had a full and fair opportunity to litigate the issue; (3) the issue was determined by a valid and binding final judgment or order; (4) the issue was decided and rendered as a necessary part of the final judgment.

Going Forward

Traditionally, TTAB decisions were rarely held to have a preclusive effect in federal trademark litigation, which made sense (at least in this Author's view) given the differing respective jurisdictional functions of the TTAB and of the federal district courts. For instance, the TTAB cannot enjoin use or award damages or attorneys fees after a finding of a likelihood of confusion, but it can and does refuse application for the registration of a mark or cancel an existing registration of a mark. Meanwhile, a federal district court can and does order preliminary and permanent injunctions after a finding of a likelihood of confusion, as well as (potentially) awarding damages and even attorneys' fees (although the latter award is rare). As such, these differences were thought to impact the likelihood of confusion analysis employed in the two differing venues (including evidentiary issues), meaning that a likelihood of confusion finding for the refusal to register a mark from the TTAB could not equal a likelihood of confusion finding for the injunction of use of a mark in federal court.

Now as a practical matter (and despite whether or not we agree with the Court's opinion), this changes the game with respect to trademark litigation strategies previously employed when either prosecuting or defending a case involving a trademark and its ability to be used in the marketplace (federal district court) and allowed on the federal trademark registry (TTAB). For those instances when dealing with a TTAB proceeding and a parallel federal litigation case, there will need to be an even closer nexus between the strategies and discovery methods employed in either venue. For those instances where only the allowance of the registration of a mark is at issue before the TTAB, but the threat for future injunction requests in federal court have been either expressed or can be implied, the impulse to treat a TTAB's decision as non-consequential to the ultimate question of use will need to be quelled. And as for the impact upon the TTAB and its docket? Our guess is that we will see either one of two differing potential outcomes: (1) an upsurge in the number of cases fully litigated before the TTAB; or (2) fewer cases litigated before the TTAB and more litigated directly in federal court. Both of these outcomes signal the potential for higher (if not significantly higher) legal costs. With the first potential outcome, the higher legal costs would be

due to more aggressive TTAB litigation tactics employed (e.g., motion practice; oral hearings). With the second potential outcome, the higher legal costs would be due to the inherent costs of trademark litigation in federal court in and of itself. While only time will tell the ultimate impact of the Court's decision, one thing is for certain – an impact it will have.

For more information, please contact [Samantha M. Quimby](#), [Kathryn A. Comella](#), or any attorney in Frost Brown Todd's [Intellectual Property Law and Litigation practice](#).

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