

## Client Alert

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# Supreme Court Holds That TTAB Rulings Can Have Preclusive Effect in Court

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On Tuesday, the Supreme Court issued its decision in *B&B Hardware v. Hargis Industries*, ruling that decisions of the Trademark Trial and Appeal Board (TTAB) on “likelihood of confusion” in trademark opposition proceedings can have issue preclusive effect in infringement litigation brought in federal district courts. The ruling reversed a decision by the Eighth Circuit, which had found that determinations by the TTAB should not be given preclusive effect or even deference in later court proceedings.

Both the TTAB and district courts may issue decisions on the “likelihood of confusion” between similar marks – but for different purposes. The TTAB determines whether a federal trademark registration should be issued or canceled. A federal district court decides whether trademark infringement has occurred and whether remedies such as monetary damages or injunctive relief should be awarded. The question before the Supreme Court was whether a prior ruling made by the TTAB in the context of registration can preclude re-litigation of the same issue in a district court suit for infringement.

The case arose out of a nearly two-decade dispute between B&B Hardware and Hargis Industries over the similar names of their respective products. When Hargis applied for a registration of its SEALTITE mark, B&B opposed registration based on its prior SEALTIGHT mark. While that opposition was pending, B&B also brought a trademark infringement claim in district court. The TTAB found a likelihood of confusion between the marks and denied registration of Hargis’s mark.

Later, in the court case, a jury found that there was no likelihood of confusion and returned a verdict for Hargis. The presiding judge refused to give the earlier TTAB ruling preclusive effect and did not allow it to be introduced into evidence at trial. The Eighth Circuit affirmed the court’s decision, primarily on the grounds that the determination made by the TTAB rested on somewhat different factors than a court would consider.

In a 7–2 vote, the Supreme Court held that issue preclusion should apply as long as the trademark usages considered by the TTAB are materially the same as those considered in the district court and “if the ordinary elements of issue preclusion are met.” The Court’s analysis focused largely on the premise that “the same likelihood of confusion standard applies to both registration and infringement.” The majority opinion acknowledged that TTAB procedures differ from the district court in several ways – for example, district courts feature live witnesses, while the TTAB accepts testimony only in written form – but found that such procedural differences alone are not sufficient to eliminate the preclusive effect of TTAB decisions.

Still, the majority opinion acknowledged limits to the application of issue preclusion. For example, “if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should ‘have no later

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preclusive effect in a suit where actual usage in the marketplace is the paramount issue.” (citation omitted). As Justice Alito, who wrote the majority opinion, noted, “for a great many registration decisions issue preclusion obviously will not apply.” Similarly, in a concurrence, Justice Ginsburg noted that when a registration proceeding is decided “in the abstract” and apart from marketplace usage, preclusion should not apply. Justice Thomas, joined by Justice Scalia, dissented, arguing that administrative agency rulings should not have preclusive effect in a private-rights dispute brought in court.

What does this mean for trademark owners? The Supreme Court’s decision will likely raise the stakes in opposition and cancellation proceedings before the TTAB. Hargis had argued that the stakes in a TTAB proceeding, where only the registration is at issue, were far lower than those in a federal infringement lawsuit. “When registration is opposed, there is good reason to think that both sides will take the matter seriously,” Justice Alito wrote in response, and with this decision, there is all the more reason to do so.

If you have any questions regarding registration or protection of your marks in the marketplace, please contact one of the members of our trademark group.

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