Supreme Court holds that issues decided by the TTAB may be preclusive in Federal Court

March 25, 2015

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A. The Supreme Court's Holding

On March 24, 2015, the Supreme Court held for the first time that "a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met." *B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352, slip op. at 2.

In other words, "[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." *Id*., slip op. at 22. The Supreme Court remanded the case for a determination whether the conditions for preclusion are met. *Id*.

B. The Reach of the Supreme Court's Opinion

In *B&B*, the issue to which preclusion may apply was likelihood of confusion. But the principle announced by the Supreme Court is not limited to likelihood of confusion. Given the wording and rationale of the Supreme Court's opinion, practitioners and trademark owners should expect *any* TTAB decision to have a preclusive effect if it meets the conditions for preclusion articulated by the Supreme Court. These conditions are discussed below.

That would include TTAB decisions on issues such as secondary meaning, inherent distinctiveness, genericness, abandonment, functionality, dilution, and others. Any TTAB decision on these and other issues will be preclusive if it meets the Supreme Court's conditions. Therefore, the potential reach of the Supreme Court's holding is broad and may have substantial implications for trademark owners.

C. Facts

B&B owns the mark SEALTIGHT for metal fasteners in the aerospace industry; Hargis owns the mark SEALTITE for metal fasteners in the construction trade. Slip op. at 6. B&B opposed Hargis's application to register SEALTITE and prevailed in the TTAB, which found a likelihood of confusion between the two marks. *Id*. at 6-7.

B&B also sued Hargis in federal district court for trademark infringement. After the TTAB had found in B&B's favor, B&B argued before the district court that the TTAB's decision precluded Hargis from further contesting the issue of likelihood of confusion. The court rejected B&B's argument, and the jury found in favor of Hargis on likelihood of confusion. B&B appealed to the Eighth Circuit, lost, and then prevailed before the Supreme Court.

D. Issue Preclusion

The Supreme Court explained issue preclusion as follows: "[w]hen 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." Slip op. at 9, *quoting* Restatement (Second) of Judgments, §27, p. 250 (1980). Importantly, "issue preclusion is not limited to those situations in which the same issue is before two *courts*." Slip op. at 9 (emphasis in original). Therefore, a decision by an administrative agency may also have issue preclusive effect. *Id*.

E. Conditions Under Which TTAB Decisions Are Preclusive

The Supreme Court rejected the view that TTAB decisions can *never* be preclusive. Slip op. at 2, 22. So when *are* TTAB decisions preclusive?

1. Conditions under the Restatement (Second) of Judgments

To be preclusive on an issue of fact or law, a TTAB decision must first meet the conditions set forth in the Restatement (Second) of Judgments, *see* slip op. at 9.

- The issue must be actually litigated before the TTAB;
- The issue must be determined by a valid and final judgment;
- The determination of the issue must be essential to the judgment.

2. Additional Restrictions

These conditions, however, are not sufficient for preclusion to apply. The Supreme Court imposed the following important restriction on the preclusive effect of TTAB decisions:

- "[I]f 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." Slip op. at 18, *quoting 6 McCarthy on Trademarks* §32:101, at 32-246 (quotation marks omitted).

The Supreme Court imposed this restriction because "the [TTAB] typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party differs." Slip op. at 17 (citation and quotation marks omitted). Therefore, the TTAB's decision may not "resolve the confusion issue with respect to non-disclosed usages." *Id*. (citation and quotation marks omitted).

The Supreme Court expects that due to this restriction, "for a great many registration decisions issue preclusion obviously will not apply." *Id*. at 14; *see also* concurrence of Justice Ginsburg (emphasizing the same point).

Further restrictions on preclusion include the following:

- The marks at issue before the TTAB must be the same as the marks at issue before the subsequent tribunal, or must have only "trivial variations." Slip op. at 18.

- TTAB decision is not preclusive if "a compelling showing of unfairness can be made." Slip op at 20 (citation and quotation marks omitted). This restriction addresses concerns about the differences of TTAB's procedures as compared to the procedures in federal court (for instance, there are not live witnesses in TTAB proceedings). *Id*. at 19-20.

F. District Court Litigation Under 15 U.S.C. §1071(b)

15 U.S.C. §1071(b) permits any party who is "dissatisfied with the decision of the Director or Trademark Trial and Appeal Board" to re-litigate the issues before the TTAB in federal district court for a *de novo* review. Slip op. at 5. The Supreme Court stated that preclusion does not apply to Section 1071(b) actions. Slip op. at 13-14.

G. Open Questions and Strategic Considerations

The preclusive effect of TTAB determinations about likelihood of confusion depends crucially on the extent to which the TTAB considered the actual use of the parties' marks in the marketplace. If such use was not considered, the Supreme Court held, then the TTAB decision is not preclusive.

This holding would seem to permit the parties to a TTAB proceeding to control the extent to which the TTAB's decision may become preclusive. If the parties do not introduce evidence of the marks' use in the marketplace, the TTAB cannot consider such usage, and its decision will not be preclusive. On the other hand, the parties may be able to increase the likelihood that a TTAB decision will be preclusive by presenting substantial evidence of the marks' use in commerce.

But what happens if one party to a TTAB proceeding introduces marketplace evidence, but the other party does not? What if the marketplace evidence pertains only to one party's mark? For that matter, what if the applicant's mark is not yet in use in commerce because the application was filed on an intent-to-use basis?

The Supreme Court does not address these and similar questions. It sets forth a basic principle – TTAB decisions are capable of having preclusive effect if certain conditions are met – but it leaves many issues unresolved. An unintended consequence of the Supreme Court's opinion may be protracted litigation in the lower courts about the preclusive effect of TTAB decisions.

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