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## “Issue Preclusion” and TTAB Proceedings – Clarity from the U.S. Supreme Court and How it May Apply to Your Trademark Strategy

White Paper

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## **“Issue Preclusion” and TTAB Proceedings – Clarity from the U.S. Supreme Court and How it May Apply to Your Trademark Strategy**

In the wake of a recent United States Supreme Court decision *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 575 U.S. \_\_\_\_\_ (2015) (Slip Op.), there is now no doubt that the strategy decisions you make in brand enforcement efforts before the Trademark Trial and Appeal Board (TTAB), a federal administrative agency, may have a critical impact on the outcome of any later federal court infringement litigation. The Court made clear that the doctrine of “issue preclusion” can foreclose relitigation of the likelihood of confusion issue – the key test of trademark infringement -- in that federal court litigation.

Trademark owners often monitor other trademark filings to determine if and when another party is attempting to register a trademark that is confusingly similar to a trademark that they own. When the trademark owner identifies this situation, they need to make a strategy decision as to whether to a) challenge the attempted registration before the trademark office in the form of an opposition or cancellation proceeding, b) assert the challenge in a federal district court by filing suit for trademark infringement (Litigation), c) both; or (d) do nothing because, despite the similarity in the marks, the real world marketplace impact is minimal.

Factors typically considered before implementing a strategy are:

- A TTAB proceeding governs only whether a mark can be registered; Litigation deals with whether the mark’s owner can prevent others from actually using the mark;
- TTAB proceedings are usually decided on the basis of written submissions, which can include deposition testimony, whereas in a Litigation one could request a jury trial and present live testimony; and
- TTAB proceedings are usually more streamlined and the scope of the inquiry is generally narrower than in federal court litigation. (See Trademark Manual of Procedure § 102.01 (2014) (TTAB shall not “determine the right to use” a trademark or “decide broader questions of infringement or unfair competition”).

If a mark secured federal registration, it was entitled to certain rebuttable presumptions regarding its validity and protectability in any later federal court infringement litigation. See 15 U.S.C. § 1115(a).

That said, when a trademark owner objects to registration of a mark on the grounds that the marks are confusingly similar, the TTAB proceeding employs the same or a similar “likelihood of confusion” test as that used by federal courts in infringement actions. In the past, generally speaking, the TTAB’s likelihood of confusion decisions regarding registrability were, as a matter of law, deemed worthy of consideration, but were rarely deemed conclusively binding on a federal court in an infringement action. In fact, the leading commentator in this field had surveyed the case law and determined that “courts have generally been too ready to deny preclusive status to findings of the [TTAB].” 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 32:99 (4th ed. 2013) (footnote omitted).

*B&B Hardware* has now substantially changed that dynamic, as it rejected the argument that a judgment in a TTAB proceeding can never have a preclusive effect in subsequent federal court infringement litigation and indeed directs federal courts to find issue preclusion “[s]o long as the other ordinary elements of issue preclusion are met, [and] when the usages adjudicated by the

TTAB are materially the same as those before the district court ....” (Slip Op. at 22.) The Court indicated that when the TTAB decides whether concurrent use of the allegedly conflicting marks would create a likelihood of confusion, there is generally a material similarity between that issue and the likelihood of confusion issue on which federal court infringement litigation generally turns. The Court bolstered its reasoning by concluding that the standard for “likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement.” (Slip Op. at 19.)

Two points in the *B&B Hardware* decision warrant substantial consideration by trademark owners and practitioners when engaged in brand enforcement strategy decisions.

1. Is the TTAB proceeding simply a “comparison of the marks in the abstract and apart from their marketplace usage?”
2. Should you appeal an adverse TTAB decision and secure de novo review by a federal district court?

Justice Ginsburg’s concurring opinion very succinctly highlights the significance of the first point:

The Court rightly recognizes that “for a great many registration decisions issue preclusion obviously will not apply.” Ante, at 14-15. That is so because contested registrations are often decided upon “a comparison of the marks in the abstract and apart from their marketplace usage.” 6 J. McCarthy, Trademarks and Unfair competition §32:101, p. 32-247 (4th ed 2014). When the registration proceeding is of that character, “there will be no [preclusion] of the likl[ihood] of confusion issue ...in a later infringement suit.”Ibid. On that understanding I join the Court’s opinion. (Slip Op., concurring opinion at p. 1).

When the TTAB proceeding is limited to an abstract comparison, it is far less likely to have preclusive effect in a subsequent federal court infringement action, where the likelihood of confusion analysis is conducted with paramount consideration of the conditions of **actual** use in the marketplace.

As for the second point, “Ordinary preclusion law teaches that if a party to a court proceeding does not challenge an adverse decision, that decision can have preclusive effect in other cases, even if it would have been reviewed de novo.” *B&B Hardware, Inc*, Slip Op. at 13. Consequently, whereas historically trademark owners may have decided not to appeal an adverse outcome in a TTAB contested proceeding, by assuring themselves that the likelihood of confusion issues could be relitigated in any subsequent federal court infringement litigation, such reasoning now carries with it a substantial risk of being bound by a decision on that issue, which is the central inquiry in infringement litigation.

### **How do these points now impact your brand enforcement strategy going forward?**

- a. **Is the TTAB proceeding really a comparison of marks in the “abstract”?**
  - What evidence is being submitted in the TTAB proceeding?
  - What arguments are being made?
  - If you wanted to, how do you make a record that it is a comparison of the marks in the abstract or conversely, a comparison in the marketplace usage?

Obviously, there is no bright line rule here and trademark owner must consult with a practitioner to make informed and sound strategy decisions on this score. There are some factors to consider. For example, a trademark owners challenge to another party's registration in a TTAB proceeding frequently invokes only their own registration, and the goods or services described in it, as support for a TTAB opposition or cancelation petition. If the allegedly conflicting marks are word marks, as opposed to design marks, it is somewhat more likely that the proceeding is limited to a comparison of the marks in the abstract. (In some circumstances it may make sense for some trademark owners to file to register word marks only, rather than the word with a design or logo. That way, if the word mark is opposed and the client loses, a federal court will likely not be precluded from evaluating infringement based on how the mark actually looks and how it used in the marketplace.) The same is true if the application at issue is based on intent to use and the applicant submits no evidence of actual use post-dating the application. Similarly, if the arguments made to the TTAB focus exclusively on confusing similarity in the sight, sound and meaning of the conflicting marks, and any alleged distinctions in the good or services described in the registration/application, you may have an argument that the analysis is an abstract comparison.

If the opposing party broadens the inquiry, however, and develops evidence on actual marketplace use, such as the channels of trade, the relative cost or expense of the goods or services, the sophistication of the purchasers or other purchasing conditions, then the inquiry is likely broader than a mere comparison of the marks in the abstract and you should consider whether to more fully develop evidence of actual use. Although a TTAB litigant could deploy self-serving phrasing in its papers submitted to the TTAB, such as "when the marks are viewed in the abstract ...," in an effort to make a record that the TTAB proceedings are so limited, it would be dangerous indeed to put all eggs in the basket and ignore the reality of what arguments have been made and what evidence has been submitted.

**b. Should the loser appeal as a matter of course now?**

Obviously not, as each case must be carefully assessed on its own particular facts and circumstances. A particular TTAB judgment may clearly be predicated on comparison of the marks in the abstract. In fact, it is conceivable that the TTAB may even state as much if it wishes to limit the preclusive effect of its judgment. That said we suspect that far more TTAB losers will appeal adverse decisions and secure de novo review of them in federal district court to safeguard against having an adverse TTAB judgment used as a sword against them in later infringement litigation. Indeed, the Supreme Court itself noted that there will be "cases in which the TTAB places more weight on certain [likelihood of confusion] factors than it should. When that happens, an aggrieved party should seek judicial review[.]" because "[t]he fact that the TTAB may have erred ... does not prevent preclusion." (Slip Op. at 19.)

**c. What if you win, but the decision incorporates findings on likelihood of confusion factors that are not helpful to your enforcement efforts? Do you have to correct the record?**

*B&B Hardware* requires that all elements of issue preclusion (collateral estoppel) be satisfied before a TTAB judgment is given preclusive effect in later federal court litigation. Ordinarily, that would require that the federal court litigation involve the same parties (or their privies). There may thus be no preclusive effect in enforcement actions against parties other than those involved in the TTAB proceedings. Nonetheless, with the United States Supreme Court giving its stamp of approval to TTAB proceedings as a legitimate mechanism to determine likelihood of confusions issues, courts may be more inclined to adopt the reasoning of the TTAB on issues

critical to the infringement analysis, even when different parties are involved. *B&B Hardware* now opens the question of whether motions for reconsideration or to amend the judgment, as unorthodox as that sounds when you win, will become part of the strategy going forward.

**d. Should you forego an opposition proceeding and opt instead for a federal court action?**

Much of this decision is going to be impacted by the circumstances in the marketplace. Since only a federal court, and not the TTAB, can grant injunctive relief, if there is an immediate problem in the marketplace that requires maintenance of the status quo that only injunctive relief can provide, the facts would dictate a federal court action over an opposition proceeding before the TTAB. Another approach could include initiating an opposition proceeding, filing in federal court to assert infringement, enjoin use and resist registration, and then moving to stay the TTAB proceeding. Forgoing an opposition in favor of federal litigation may result in the other side's application ripening into a registration, which would then have to be cancelled in connection with the infringement action.

## **CONCLUSION**

The *B&B Hardware* decision potentially makes TTAB litigation far more treacherous and dramatically increases its stakes. Trademark owners and their counsel will have to be exceedingly wary of the adverse consequences of a loss before the TTAB and are likely to ratchet up the litigation intensity to ensure that they marshal every conceivable argument and piece of evidence to support their position. Trademark owners and their counsel would also be wise to be even more judicious about opposing an application (or seeking to cancel one), limiting their battles to registrations that truly strike at the core of the trademark owner's business, and avoiding the temptation to fight every mark that creates even the whiff of likelihood of confusion.

As an aside, it should be noted that the Supreme Court did not squarely and definitively address whether the Seventh Amendment right to a jury trial would be violated by giving preclusive effect to TTAB decisions. The Court did not address this issue because Hargis, the party resisting issue preclusion, did not make such an argument. (Slip Op. at 11.) As a result, the Court stated that "[t]o the extent, if any, that there could be a meritorious constitutional objection, it is not before us." (*Id.*) In dissent, Justice Thomas noted that "the majority's application of administrative preclusion raises serious constitutional concerns." (Thomas, J. dissenting, Slip Op. at 10.) It would not be surprising to see future federal court litigants invoking the reasoning in Justice Thomas' dissent to press constitutional objections to giving preclusive effect to TTAB decisions.



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