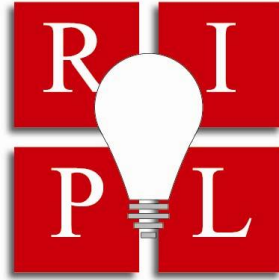


# THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



## ISSUE PRECLUSION: THE EFFECT *B&B HARDWARE* WILL HAVE ON TRADEMARK LITIGATION

LIAN OSIER

### ABSTRACT

Trademark issues are frequently litigated in the United States Patent and Trademark Office, yet circuits were previously divided on how much weight to give those decisions. The Supreme Court provided the answer. *B&B Hardware v. Hargis Indus.* held that in certain circumstances, the Trademark Trial and Appeal Board will have a preclusive effect on federal district courts. This comment looks at what effect this ruling will have on trademark litigation in district courts by examining the cases that caused the circuit split leading up to the Supreme Court's decision.

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ISSUE PRECLUSION: THE EFFECT *B&B HARDWARE* WILL HAVE ON  
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## ISSUE PRECLUSION: THE EFFECT B&B HARDWARE WILL HAVE ON TRADEMARK LITIGATION

LIAN OSIER\*

### I. INTRODUCTION

Imagine you are attempting to register the mark FINN for watches with the United States Patent and Trademark Office (hereinafter “USPTO”). Business X opposes the application stating your mark is likely to cause confusion with its mark PHIN. The Trademark Trial and Appeal Board (hereinafter “TTAB”) determines a likelihood of confusion exists between the two marks and refuses your application. Business X subsequently sues you in district court for trademark infringement of its PHIN mark arguing that you are precluded from defending the infringement claim because of the TTAB’s decision. Pursuant to the Supreme Court’s decision in *B&B Hardware, Inc. v. Hargis Industries*,<sup>1</sup> are you precluded from defending the trademark infringement suit?

Alternatively, imagine you are trying to register the mark RUNNING MAN for t-shirts with the USPTO. Business X opposes the application on the grounds that your mark is likely to cause confusion with its RUNNING MALE mark. The TTAB does not find a likelihood of confusion and rules in your favor. Business X is now suing you in district court for trademark infringement. The district court disregards the TTAB’s decision and finds in favor of Business X. In light of the Supreme Court’s ruling in *B&B Hardware* is this allowed?

These are the questions this comment seeks to answer. Part I of this comment provides an overview of the trademark registration process, the tests for likelihood of confusion, and the Supreme Court’s holding in *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293 (2015). Part II of this article will analyze *B&B Hardware*’s ruling by applying it to prior cases to see if under *B&B Hardware* the outcome would have changed. Part III proposes strategies for making a TTAB decision preclusive or not preclusive in district court. This section also poses some questions on how *B&B Hardware* might apply to other types of proceedings and venues.

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\* © Lian Osier 2016. Candidate for Juris Doctor, The John Marshall Law School, 2016; B.A. American Studies & Computer Applications, University of Notre Dame, 2013. I would like to thank Maureen Smith for her help and guidance on this comment and her ability to ask the tough questions. I would also like to thank Professor Maureen B. Collins for teaching me how to be a better writer. Finally, I would like to thank Adam Ernette for his unwavering support.

<sup>1</sup> 135 S. Ct. 1293 (2015). In *B&B Hardware*, the Supreme Court stated “a court should give preclusive effect to TTAB decisions if ordinary elements of issue preclusion are met.” *Id.* at 1299. “If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood of confusion as a district court in infringement litigation.” *Id.* at 1308.

## II. BACKGROUND

## A. Trademark Registration

Congress enacted the Lanham Act “to protect . . . registered marks used in . . . commerce . . . [and] to protect such person engaged in such commerce against unfair competition.”<sup>2</sup> The Lanham Act gives valuable rights and benefits to owners who register their trademarks with the USPTO.<sup>3</sup> Federal registration of a trademark provides “prima facie evidence of the validity of the [mark’s] registration . . . and the owner’s exclusive right to use the registered mark in commerce.”<sup>4</sup> In order to register a mark, an applicant must file an application with the USPTO.<sup>5</sup> An applicant is required to state when the applicant first used the mark and with what goods the mark is used.<sup>6</sup> Pursuant to the Lanham Act, the USPTO cannot register a mark which “so resembles a mark [already] registered in the [US]PTO . . . as to be *likely . . . to cause confusion*, or to cause mistake or deceive.”<sup>7</sup>

If the USPTO determines a mark may be registrable, it is published in the *Official Gazette*.<sup>8</sup> Parties who believe that they will be damaged by the applicant’s mark can oppose the registration by filing a statement with the USPTO showing why they would be damaged by the applicant’s mark.<sup>9</sup> Opposition proceedings are heard before the TTAB.<sup>10</sup> TTAB opposition proceedings are heard by administrative judges and high-ranking officials at the USPTO.<sup>11</sup> The TTAB often faces the issue of likelihood of confusion pursuant to Section 2(d) of the Lanham Act.<sup>12</sup> Opposition

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<sup>2</sup> 15 U.S.C. § 1127 (2006). The main purpose of trademark law is “to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get.” H.R. REP. NO. 219, 79th Cong., 1st Sess. 2 (1945).

<sup>3</sup> 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 19:3 at 19-21 (4th ed. 2010). “A trademark is any word, name, symbol or device, or any combination thereof used . . . to identify and distinguish his or her goods . . . and to indicate the source of the goods.” 15 U.S.C. § 1127 (LEXIS 2006).

<sup>4</sup> 15 U.S.C. § 1057(b) (2002).

<sup>5</sup> 15 U.S.C. § 1051 (2002). The application must contain “the date of the applicant’s first use of the mark, the date of the applicant’s first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.” *Id.* § 1051(a)(2).

<sup>6</sup> 15 U.S.C. § 1051(a)(2) (2002).

<sup>7</sup> 15 U.S.C. § 1052(d) (2006) (emphasis added).

<sup>8</sup> 15 U.S.C. § 1062 (2000); *see also* 37 C.F.R. 2.80 (2014).

<sup>9</sup> 37 C.F.R. 2.101(a); *see also* 37 C.F.R. 2.104 (2014). Parties have thirty days from publication to the *Official Gazette* to file their opposition. 15 U.S.C. § 1063(a) (2006). If no successful opposition is made, applicant’s mark is registered. *Id.* § 1063(b)(1).

<sup>10</sup> 15 U.S.C. § 1067 (2008).

<sup>11</sup> *Id.* § 1067(b) (2008). The TTAB consists of administrative trademark judges and high-ranking PTO officials, including the Director of the PTO and the Commissioner of Trademarks. *Id.* § 1067(b). Opposition proceedings are generally heard by panels of three judges. 37 C.F.R. 2.129. *See* Pamela Chestek, *B&B Hardware and Ex Parte Appeal*, 105 Trademark Rep. 810, 922 (2015) (stating the TTAB affirms the examiners’ decisions 85% to 90% of the time).

<sup>12</sup> *See* 15 U.S.C. § 1063 (2006). In opposition proceedings, opposers can raise likelihood of confusion as a reason for denying applicant’s registration.

proceedings are called *inter partes* proceedings.<sup>13</sup> *Inter partes* proceedings are similar in many respects to civil proceedings conducted in federal district courts with the main difference being the TTAB conducts its hearings on a written record.<sup>14</sup> These proceedings are governed by the Federal Rules of Civil Procedure and the Federal Rules of Evidence.<sup>15</sup>

### B. Appealing TTAB Decisions

After the TTAB renders its decision, any party that is dissatisfied can appeal to the Federal Circuit.<sup>16</sup> Appeals to the Federal Circuit are done on the “closed administrative record and no new evidence is permitted.”<sup>17</sup>

A party may alternatively appeal a TTAB decision to a district court.<sup>18</sup> By appealing to a district court, parties can present new evidence, add dilution and infringement claims, and seek injunctive or monetary relief.<sup>19</sup> Where new evidence is introduced in a district court appeal, the Lanham Act mandates *de novo* review.<sup>20</sup> When reviewing a TTAB decision, district courts have the authority to determine whether registration should be granted or whether registration should be cancelled.<sup>21</sup>

### C. Likelihood of Confusion: TTAB v. Federal Court

Section 2(d) of the Lanham Act governs when likelihood of confusion is the basis for an opposition proceeding.<sup>22</sup> The TTAB uses the analysis laid out by the Federal

<sup>13</sup> *Rosenruist-Gestao E. Servicios LDA v. Virgin Enterprises Ltd.*, 511 F.3d 437, 443 (4th Cir. 2007).

<sup>14</sup> U.S. PAT. & TRADEMARK OFFICE, U.S. DEPT OF COMMERCE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 102.03 (July 2015) [hereinafter TBMP]; Brief for The United States as Amicus Curiae Supporting Petitioner, *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015) (No. 13-352), 2014 U.S. S. Ct. Briefs LEXIS 3229, at \*10. “In other words, there is no live testimony.” *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1300 (2015).

<sup>15</sup> 37 C.F.R. 2.116(a), 2.123, 2.122(f), 2.129 (2007). Parties are allowed written discovery and depositions and then appear before the TTAB to orally argue.

<sup>16</sup> 15 U.S.C. § 1071 (2011); *Gillette Co. v. “42” Products, Ltd.*, 435 F.2d 1114 (9th Cir. 1970) (holding “an appeal to the Federal Circuit can only be made with the mutual consent of all the parties”). If a party has acquiesced in an appeal to the Federal Circuit, it cannot also have the TTAB decision reviewed in a federal district court. 15 U.S.C. § 1071(a)(1) (2011).

<sup>17</sup> *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660, 673 (7th Cir. 2001).

<sup>18</sup> 15 U.S.C. § 1071(b) (2011); 1 ANNE GILSON LALONDE & JEROME GILSON, *GILSON ON TRADEMARKS*, § 9.04 (Matthew Bender).

<sup>19</sup> Alexandra H. Bistline, *Raising the Stakes: Trademark Litigation In The Wake of B&B Hardware, Inc. v. Hargis Industries, Inc.*, 105 Trademark Rep. 867, 923 (2015); see also *CAE*, 267 F.3d at 673 (stating appeals to the district court is an appeal and a new action where parties can request additional relief and submit new evidence).

<sup>20</sup> *Kappos v. Hyatt*, 132 S. Ct. 1690, 1701 (2012) (ruling that “if new evidence is present . . . the district court must make *de novo* factual findings that take account of the new evidence and the administrative record before the [US]PTO”).

<sup>21</sup> 15 U.S.C. § 1071(b)(1) (2011); 15 U.S.C. § 1119 (2000).

<sup>22</sup> 16 U.S.C. § 1052(d) (2006).

Circuit in *In re E.I. Du Pont de Nemours & Co.*<sup>23</sup> to determine whether a likelihood of confusion exists.<sup>24</sup> The *DuPont* analysis considers thirteen factors among which are similarity of marks, similarity of goods, channels of trade, fame of the prior mark, and actual confusion.<sup>25</sup> Not every factor needs to be considered in every case; only those that are relevant need to be considered.<sup>26</sup> When weighing the factors, the TTAB considers the two marks as set forth in the application's identification of goods and services.<sup>27</sup> "Likelihood of confusion must be determined based on an analysis of the mark as applied to the . . . [goods or] services recited in applicant's application . . . rather than what the evidence shows the . . . [goods or] services to be."<sup>28</sup> The important factors under *DuPont* are similarities of the mark and, when applicable, similarity of the goods.<sup>29</sup>

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<sup>23</sup> 476 F.2d 1357 (C.C.P.A. 1973).

<sup>24</sup> *Stone Lion Capital Partners, L.P. v. Lion Capital, LLP*, 746 F.3d 1317, 1319 (Fed. Cir. 2014); *see also* Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015) (explaining the TTAB conducts its proceedings according to the precedent laid out by the Federal Circuit).

<sup>25</sup> *In re E.I. Du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973). The thirteen factors considered by the Federal Circuit are:

- (i) the similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression; (ii) similarity of dissimilarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use; (iii) the similarity or dissimilarity of established, likely-to-continue trade channels; (iv) the conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing; (v) the fame of the prior mark; (vi) the number and nature of similar marks in use on similar goods; (vii) the nature and extent of any actual confusion; (viii) the length of time during and conditions under which there have been concurrent use without evidence of actual confusion; (ix) the variety of goods on which a mark is or is not used; (x) the market interface between applicant and the owner of a prior mark; (xi) the extent to which applicant has a right to exclude others from use of its mark on its goods; (xii) the extent of potential confusion, i.e. whether *de minimis* or substantial; (xiii) any other established fact probative of the effect of use.

*Id.* Likelihood of confusion is determined on a case-specific basis. *Id.*

<sup>26</sup> *In re Dixie Restaurants, Inc.*, 105 F.3d 1405, 1406-07 (Fed. Cir. 1997) (stating only factors of significance to the particular mark are considered); *see also In re Shell Oil Co.*, 992 F.2d 1204, 1206 (Fed. Cir. 1993) (stating there is no bright line test for likelihood of confusion and each case requires weighing of the facts and circumstances of the particular mark); *DuPont*, 476 F.2d at 1361-62; 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:79 (4th ed. 2010).

<sup>27</sup> Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015). In standard character marks the TTAB assumes the marks can appear in every possible style or font. *Id.* When looking at goods and services identified will be marketed in all possible ways to all possible buyers and that the goods range from very cheap to expensive. *Id.*

Traditionally, the TTAB "analyzes the marks, goods, and channels of trade only as set forth in the [applicant's] application and in the opposer's registration, regardless of what the actual usage of the marks by either party differs." Brief for The United States as Amicus Curiae Supporting Petitioner, *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015) (No. 13-352), 2014 U.S. S. Ct. Briefs LEXIS 3229, at \*39.

<sup>28</sup> *Canadian Imperial Bank v. Wells Fargo Bank, N.A.*, 811 F.2d 1490, 1493 (Fed. Cir. 1987).

<sup>29</sup> *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1302 (2015); *see also In re Martin's Famous Pastry Shoppe, Inc.*, 748 F.2d 1565, 1566 (Fed. Cir. 1984) (ruling Courts evaluating the

While the TTAB relies on the *DuPont* analysis, district courts use the analysis laid out by their respective circuits.<sup>30</sup> The factors of each circuit's likelihood of confusion analysis are generally a variation of Section 731 of the 1938 Restatement of Torts.<sup>31</sup> The factors relevant to all circuits are: (i) strength of the mark, (ii) similarity between the marks, (iii) actual confusion, (iv) intent, (v) channels of trade, (vi) sophistication of buyers, and (vii) similarities of goods and services.<sup>32</sup> No one factor is determinative and each must be considered.<sup>33</sup> The most important factors are the similarity of the marks and similarity of goods and services.<sup>34</sup>

#### D. TTAB Decisions in Federal Court Litigation

Prior to the Supreme Court's ruling in *B&B Hardware, Inc. v. Hargis Industries*, the circuit courts were split on whether decisions rendered by the TTAB were ever preclusive in later trademark infringement actions.<sup>35</sup> The general belief was that TTAB rulings would not be binding in trademark infringement proceedings in district courts because the TTAB was limited only to the question of whether registration should be granted.<sup>36</sup> The Third and Seventh Circuits, however, applied issue preclusion to TTAB decisions.<sup>37</sup> The Second Circuit was willing to give issue

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similarity of marks requires an examination of "appearance, sound, connotation, and commercial impression of the two marks"); *In Re National Data Corp.*, 753 F.2d 1056, 1058 (Fed. Cir. 1985) (explaining that the TTAB may give greater or lesser weight to a specific factor or particular feature of a mark).

<sup>30</sup> 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 21:20 (4th ed. 2010).

<sup>31</sup> 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 23:19 (4th ed. 2010).

<sup>32</sup> Restatement First of Torts § 731 (1938). See *Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482, 487 (1st Cir. 1981); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462-63 (3d Cir. 1983); *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463-64 (4th Cir. 1996); *Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166, 170 (5th Cir. 1986); *Frisch's Restaurants v. Elby's Big Boy*, 670 F.2d 642, 648 (6th Cir. 1982); *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1330 (7th Cir. 1977); *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *Sally Beauty Co. v. BeautyCo, Inc.*, 304 F.3d 964, 972 (10th Cir. 2002); *Frehling Enters., Inc. v. Int'l Select Grp., Inc.*, 192 F.3d 1330, 1335 (11th Cir. 1999).

<sup>33</sup> *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 29 (1st Cir. 1989).

<sup>34</sup> *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 216 (3d Cir. 2000); *Reno Air Racing Ass'n v. McCord*, 452 F.3d 1126, 1137 (9th Cir. 2006) (explaining that the two marks should be compared as they "are encountered in the marketplace and the circumstances surround the purchase").

<sup>35</sup> Bistline, *supra* note 19, at 869-70.

<sup>36</sup> Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015).

<sup>37</sup> See *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 255 (3d Cir. 2006) (finding that TTAB's decision provided preclusive effect in a later infringement litigation), *with EZ Loader Boat Trailers, Inc. v. Coz Trailers, Inc.*, 746 F.2d 375, 378-379 (7th Cir. 1984) (finding issue preclusion where the TTAB considered marketplace use) and *C&N Corp. v. Kane*, 953 F. Supp. 2d 903, 913-14 (E.D. Wis. 2013) (stating TTAB's determination of likelihood of confusion was entitled to

preclusion in certain circumstances.<sup>38</sup> In contrast, the Fifth, Eleventh, Ninth, and D.C. Circuits held that the TTAB's decision could never be preclusive.<sup>39</sup> Specifically, the Fifth Circuit stated that because the Lanham Act "include[s] a provision by which a federal district court can 'look beneath and beyond the record' before the [US]PTO through *de novo* review of a TTAB decision [it] indicate[d] a 'congressional intent not to invoke the immunizing doctrines of *res judicata* or collateral estoppel.'"<sup>40</sup>

### *E. B&B Hardware Decision*

In *B&B Hardware*, the Supreme Court addressed the issue of whether a district court should apply issue preclusion to a TTAB decision regarding likelihood of confusion.<sup>41</sup> B&B Hardware had a federal registration in the 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."<sup>42</sup> Hargis was attempting to register its SEALTITE mark for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings" with the USPTO.<sup>43</sup> When the USPTO published Hargis' mark, B&B Hardware opposed the mark on the grounds that it was likely to cause confusion with its mark.<sup>44</sup> At the same time as the opposition proceeding, B&B Hardware sued Hargis in the United States District Court for the Eastern District of Arkansas alleging SEALTITE infringed on its federally registered

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preclusive effect where it met the elements of issue preclusion and the issue of likelihood of confusion was the same).

<sup>38</sup> Bistline, *supra* note 19, 873; *see also* Beam Brands Co. v. Beamish & Crawford, Ltd., 937 F.2d 729 (2d Cir. 1991) (holding where marketplace use is considered, issue preclusion could be possible); *see also* Levy v. Kosher Overseers Ass'n of Am., Inc., 104 F.3d 8, 42-43 (2d Cir. 1997) (stating TTAB decisions are not preclusive where the TTAB "relied solely on a visual examination of the two marks" and did not examine the "entire marketplace" of the marks in dispute).

<sup>39</sup> *See* Am. Heritage Life, Ins. Co. v. Heritage Life Insurance Co., 494 F.2d 3, 9 (5th Cir. 1974); *see also* Dita, Inc. v. Mendez, 2010 U.S. Dist. LEXIS 135856, \*12-13 (C.D. Cal. Dec. 14, 2010) (stating TTAB proceedings do not preclude infringement because of the plain language of the Lanham Act); *see also* Freedom Sav. & Loan Ass'n v. Way, 757 F.2d 1176 (11th Cir. 1985) (explaining Congressional intent was that TTAB decisions were not preclusive because the Lanham Act provides for extensive judicial involvement in trademarks and the option to hear appeals on a *de novo* basis); *see also* Aktieselskabet AF 21. November 2001 v. Fame Jeans Inc., 525 F.3d 8, 12-13 (D.C. Cir. 2008) (holding the D.C. Circuit to factual findings of the TTAB but will not give them preclusive effect).

<sup>40</sup> Bistline, *supra* note 19, 876-877; *Am. Heritage*, 494 F.2d at 9-10; *Bonner v. City of Prichard*, 661 F.2d 1206, 1207 (11th Cir. 1981) (holding "that the decisions of the United States Court of Appeals for the Fifth Circuit . . . as the court existed on September 30, 1981, handed down by that court prior to the close of business on that date, shall be binding as precedent in the Eleventh Circuit").

<sup>41</sup> *B&B Hardware*, 135 S. Ct. at 1299.

<sup>42</sup> SEALTIGHT, Registration No. 1,797,509.

<sup>43</sup> SEALTITE, U.S. Trademark Application Serial No. 75,129,229 (filed July 2, 1996).

<sup>44</sup> Opposition Proceeding No. 911556787 (filed February 28, 2004).



SEALTIGHT mark.<sup>45</sup> The TTAB ruled in favor of B&B Hardware.<sup>46</sup> B&B Hardware argued before the district court that TTAB's finding of a likelihood of confusion was preclusive.<sup>47</sup> The District Court rejected B&B's argument, determined the TTAB's decision was not preclusive, found that there was no likelihood of confusion, and entered a verdict in favor of Hargis.<sup>48</sup> On appeal, the Eighth Circuit affirmed the District Court's decision.<sup>49</sup>

The Supreme Court reversed the Eighth Circuit's decision and held that "a court should give preclusive effect to TTAB decisions if [the] ordinary elements of issue preclusion are met."<sup>50</sup> The Supreme Court concluded that nothing in the Lanham Act prohibits issue preclusion from applying in these cases.<sup>51</sup> The opinion noted procedures used by the TTAB are not "fundamentally, poor, cursory, or unfair" but

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<sup>45</sup> Brief for The New York Intellectual Property Law Association as Amicus Curiae Supporting Respondents, *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015) (No. 13-352), 2014 U.S. S. Ct. Briefs LEXIS 3823, at \* 6.

<sup>46</sup> *B&B Hardware*, 135 S. Ct. at 1299 (determining that in the USPTO Hargis' SEALTITE mark should not be registered).

<sup>47</sup> Brief for The New York Intellectual Property Law Association as Amicus Curiae Supporting Respondents, *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015) (No. 13-352), 2014 U.S. S. Ct. Briefs LEXIS 3823, at \* 6.

<sup>48</sup> *B&B Hardware*, 135 S. Ct. at 1302. The District Court reasoned that "the TTAB is not an Article III Court." *Id.*

<sup>49</sup> *B&B Hardware*, 135 S. Ct. at 1302. The Eighth Circuit affirmed the district court's decision on the grounds that the "TTAB uses different factors . . . [and] places too much emphasis on the appearance and sound of the two marks." *Id.* Additionally, Hargis bore the burden of persuasion before the TTAB while B&B bore it before the district court. *Id.*

It is important to note Judge Colloton's dissent in the Eighth Circuit's opinion. Judge Colloton noted that "[t]he courts have generally been too ready to deny preclusive status to findings of the [TTAB]." Stephen Baird, Winthrop & Weinstine, West LegalEdcenter Webcast: *B&B Hardware v. Hargis* (May 8, 2015).

The [TTAB's] function is to determine whether there is a right to secure or to maintain a registration. If in the course of doing so factual issues are decided there is no policy reason why those factual questions should not be foreclosed from further re-litigation in court as long as the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed.

*Id.* (citing 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:99 (4th ed. 2013)).

<sup>50</sup> *B&B Hardware*, 135 S. Ct. at 1299. "When 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." RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1980); see *Bobby v. Bies*, 556 U.S. 825, 834 (2009); *New Hampshire v. Main*, 532 U.S. 742, 748-749 (2001); *Baker v. General Motors Corp.*, 522 U.S. 222, 233 (1998).

Issue preclusion applies when "the issues in the two cases are indeed identical and the other rules of collateral estoppel are carefully observed." 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 32:99 at 32-244 (4th ed. 2010).

<sup>51</sup> *B&B Hardware*, 135 S. Ct. at 1305. "Absent a contrary indication, Congress intends that an agency's determination has preclusive effect." *Id.* The TTAB's decision was rendered in a judicial capacity, parties were given an adequate opportunity to litigate—discovery, testimony, oral arguments, and *de novo* review are available to parties, and nothing in the Lanham Act indicates Congress wanted to preclude preclusion. Katherine Basile, Reed Smith LLP, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015).

are “exactly the same as in federal court.”<sup>52</sup> Much like district courts, the TTAB has adopted and follows the Federal Rules of Civil Procedure.<sup>53</sup> Additionally, the party opposing the trademark application bears the burden of proof much like in district court litigation where the party alleging infringement bears the burden of proof.<sup>54</sup>

Furthermore, the Supreme Court stated that the fact that the TTAB and the circuit courts use “different factors to assess likelihood of confusion” does not prevent issue preclusion.<sup>55</sup> The likelihood of confusion factors used by the TTAB are not fundamentally different than those used in the circuit courts for “purposes of infringement,” and there is no reason that a district judge “in the same case should apply two separate standards of likelihood of confusion.”<sup>56</sup>

The Supreme Court expanded upon this and left us with this rule: “If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood of confusion as a district court.”<sup>57</sup> Conversely, “if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue.”<sup>58</sup> “If the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decisions should ‘have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.’”<sup>59</sup> It is important to note Justice Ginsburg’s concurrence.<sup>60</sup> Justice Ginsburg agreed with the majority, but stressed the point that “for a great many registration decisions issue preclusion . . . will *not* apply.”<sup>61</sup>

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<sup>52</sup> *B&B Hardware*, 135 S. Ct. at 1309; *see* 37 C.F.R. 2.116(a), 2.122(a) (2007).

<sup>53</sup> *B&B Hardware*, 135 S. Ct. at 1309; *see also* TBMP, *supra* note 14, § 101.02 (stating “except as otherwise provided, and where applicable and appropriate, procedure and practice in *inter partes* proceedings shall be governed by the Federal Rules of Civil Procedure”).

<sup>54</sup> *B&B Hardware*, 135 S. Ct. at 1309; *see also* 37 C.F.R. § 2.116(b) (2007). Hargis tried to argue that issue preclusion should not apply because the stakes for registration are lower than in infringement proceedings. *B&B Hardware*, 135 S. Ct. at 1309. The Supreme Court rejected this argument stating “the benefits of registration are substantial” as they provide validity of the mark’s registration and registration is a prerequisite for a mark becoming “incontestable.” *Id.* at 1310. The Court further states that “Congress determined that . . . ‘trademarks should receive nationally the greatest protection that can be given them’ and that ‘[a]mong the new protections created by the Lanham Act were the statutory provisions that allow a federally registered mark to become incontestable.’” *Id.* at 1310 (quoting S. Rep. No. 1333, 79th Cong., 2d Sess. 6 (1946)).

<sup>55</sup> *B&B Hardware*, 135 S. Ct. at 1307.

<sup>56</sup> *Id.* The Court clarified that “the operative language [of the likelihood of confusion tests are] essentially the same . . . , the likelihood-of-confusion analysis that Congress used in [the] Lanham Act provisions has been central to trademark registration since 1881 . . . , [and] district courts can cancel registrations during infringement, just as they can adjudicate infringement in suits seeking judicial review of registration decisions. *Id.*”

<sup>57</sup> *Id.* at 1308. This is when issue preclusion would apply.

<sup>58</sup> *Id.* In this situation, there would be no issue preclusion.

<sup>59</sup> *Id.* (quoting 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 32:101 at 32-246 (4th ed. 2010)). “Usages set out in an application and the use of a mark in the marketplace do not create different issues.” *Id.*

<sup>60</sup> *B&B Hardware*, 135 S. Ct. 1293 at 1310 (Ginsburg, J., concurring).

<sup>61</sup> *Id.* Justice Ginsburg states this is because opposed registrations are generally decided by “compar[ing] the marks in the abstract and [separate] from their marketplace usage.” *Id.* (citing 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 32:101 at 32:247 (4th ed. 2014)).

### III. ANALYSIS

This section looks at cases from the Fifth, Eleventh and Second circuits and analyzes them in light of the *B&B Hardware* ruling. These circuits previously held that TTAB decisions were not preclusive on district court litigation.

#### A. Fifth Circuit

The Fifth Circuit held that a finding before the TTAB is not deserving of preclusive effect in later Lanham Act suits.<sup>62</sup> *American Heritage Life Insurance Company v. Heritage Life Insurance Company* involved two life insurance companies' registrations of the service HERITAGE.<sup>63</sup> American Heritage Life Insurance Company ("AHLIC") began using its service mark in commerce in 1957 in connection with life and disability insurance.<sup>64</sup> Heritage Life Insurance Company ("HLIC") began using its service mark in commerce in 1958, also in connection with life and disability insurance.<sup>65</sup> In 1960, HLIC filed an application with the USPTO to register its HERITAGE service mark and AHLIC subsequently opposed the registration on the grounds that it had priority in its AMERICAN HERITAGE and HERITAGE trademarks.<sup>66</sup>

The TTAB sustained the opposition and refused to register HLIC's mark.<sup>67</sup> After both parties' testimony and HLIC's concession that AHLIC first used the mark,<sup>68</sup> the TTAB ruled that HERITAGE was used arbitrarily and both parties were using the mark on identical services.<sup>69</sup> HLIC attempted to argue that the two marks were distinguishable because the Insurance Commissioner of each state has "a duty to protect the public from confusion" and they allowed both companies to use the word HERITAGE while operating in the same states.<sup>70</sup> The TTAB rejected this argument stating "Insurance Commissioners . . . ruling[s] as to likelihood of confusion . . . is in no way binding on the [TTAB]."<sup>71</sup>

AHLIC subsequently brought suit against HLIC for trademark infringement.<sup>72</sup> AHLIC argued HLIC was barred under collateral estoppel from defending this action because of the TTAB's decision in the opposition proceeding.<sup>73</sup> The District Court for

<sup>62</sup> *Am. Heritage*, 494 F.2d at 10; Elizabeth D. Lauzon, *Preclusive Effect of Trademark Trial and Appeal Board's Finding in Later Lanham Act Suit*, 21 A.L.R. Fed 2d 561, \*5 (2015).

<sup>63</sup> 494 F.2d 3 (5th Cir. 1974).

<sup>64</sup> *Am. Heritage*, 494 F.2d at 8; *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 143 U.S.P.Q. 44, 45 (TTAB 1964).

<sup>65</sup> *Am. Heritage*, 494 F.2d at 7; *Am. Heritage*, 143 U.S.P.Q. at 45.

<sup>66</sup> *Am. Heritage*, 494 F.2d at 7; *Am. Heritage*, 143 U.S.P.Q. at 46.

<sup>67</sup> *Am. Heritage*, 143 U.S.P.Q. at 45.

<sup>68</sup> *Am. Heritage*, 143 U.S.P.Q. at 45-46 (conceding that AHLIC was the senior user of HERITAGE and that both companies used the mark on identical services).

<sup>69</sup> *Id.* at 46.

<sup>70</sup> *Id.*

<sup>71</sup> *Id.* The TTAB further stated that likelihood of confusion was not the grounds for this opposition proceeding, therefore the lack of actual confusion is irrelevant. *Id.*

<sup>72</sup> *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 1972 US. Dist. LEXIS 12159, \*1 (S.D. Tex. August 30, 1972).

<sup>73</sup> *Id.* at \*21.

the Southern District of Texas ruled that collateral estoppel did not apply because the TTAB's decision "only established that [HLIC] was not entitled to registration of the . . . mark HERITAGE."<sup>74</sup> The district court further stated that AHLIC failed to prove likelihood of confusion and dismissed the matter.<sup>75</sup>

Following the district court's decision, both parties appealed to the Court of Appeals for the Fifth Circuit.<sup>76</sup> The Fifth Circuit affirmed the district court's ruling that HLIC was not barred under collateral estoppel from defending this action.<sup>77</sup> The court explained, "a claim for service mark [or trademark] . . . infringement and a claim for registration present different questions of law and fact . . . and in substance the causes of action are not the same."<sup>78</sup> The Fifth Circuit continued its reasoning by stating, "Congress has given federal court[s] the power to look beneath and beyond the record" before the TTAB."<sup>79</sup>

If the *B&B Hardware* ruling had been binding on the Fifth Circuit when deciding *American Heritage Life Insurance Company v. Heritage Life Insurance Company*, the outcome would not have changed. TTAB decisions are preclusive "so long as 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."<sup>80</sup> Specifically, when the "TTAB does not consider the marketplace usage of the parties' mark" it should not have preclusive effect in a later litigation suit where marketplace usage is the main issue.<sup>81</sup> The main issue before the TTAB was whether there was priority in the service mark HERITAGE.<sup>82</sup> In contrast, the main issue before the Southern District of Texas was likelihood of confusion.<sup>83</sup> The TTAB's resolution of the issue of priority did not involve consideration of actual marketplace usage, but rather who was the senior user of the service mark HERITAGE.<sup>84</sup> In its analysis, the TTAB did not go through the *DuPont* analysis to determine if there was a likelihood of confusion.<sup>85</sup> While the TTAB's decision was rendered in a judicial capacity and a final judgment was reached, both parties were not given a fair opportunity to litigate the issue of likelihood of confusion before the TTAB.<sup>86</sup> Since the same issue was not being litigated in each respective forum, the ruling in *B&B Hardware* would not have changed the outcome of this case.<sup>87</sup>

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<sup>74</sup> *Id.*

<sup>75</sup> *Id.* at \*25.

<sup>76</sup> *Am. Heritage Life Ins. Co. v. Heritage Life. Ins. Co.*, 494 F.2d 3 (5th Cir. 1974).

<sup>77</sup> *Id.* at 13.

<sup>78</sup> *Id.* at 8.

<sup>79</sup> *Id.* at 11. However, the Fifth Circuit stated that TTAB determinations should still be given great weight unless "the contrary is established by evidence." *Id.* at 11-12.

<sup>80</sup> *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1310 (2015).

<sup>81</sup> *Id.* at 1308.

<sup>82</sup> *Am. Heritage Life Ins. Co. v. Heritage Life. Ins. Co.*, 143 U.S.P.Q. 44, 45 (TTAB 1964).

<sup>83</sup> *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 1972 U.S. Dist. LEXIS 12159 (S.D. Tex. August 30, 1972).

<sup>84</sup> *See generally Am. Heritage*, 143 U.S.P.Q. 44 (TTAB 1964).

<sup>85</sup> *Id.*

<sup>86</sup> RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1980).

<sup>87</sup> In its opinion, the Fifth Circuit noted that the "[two] causes of action are not the same" and issue preclusion of the TTAB's decision would not apply. *Am. Heritage Life Ins. Co. v. Heritage Life. Ins. Co.*, 494 F.2d 3, 8 (5th Cir. 1974).

### B. Eleventh Circuit

The Eleventh Circuit considered whether the TTAB's decision was preclusive in *Freedom S&L Association v. Way*.<sup>88</sup> This case involved two parties' registration of the service mark FREEDOM. Freedom Savings and Loan Assoc. ("Freedom Savings") is the owner of the FREEDOM mark used in connection with savings and loan association services.<sup>89</sup> Vernon Way ("Way") opened his real estate office under the name Freedom Realty Company.<sup>90</sup> Way subsequently filed an application with the USPTO to register his service mark FREEDOM REALTY in connection with real estate brokerage services.<sup>91</sup> Freedom Savings opposed the mark on the grounds that Way's mark "so resembles [its'] mark as to be likely to cause confusion."<sup>92</sup>

After reviewing the record,<sup>93</sup> the TTAB sustained Freedom Savings' opposition and refused to register Way's FREEDOM REALTY mark.<sup>94</sup> The TTAB looked at the two marks as a whole and determined that Way's mark was not "so distinctive as to aid in differentiating between their [two] marks . . . to avoid their being confused."<sup>95</sup> In its reasoning, the TTAB considered the services offered by Way and Freedom Savings.<sup>96</sup> Although the TTAB found differences between the parties' respective services, it determined that Freedom Savings offered "services which pertain in some way to real estate transactions . . . services which go hand-in-glove."<sup>97</sup> The TTAB concluded a reasonable person would "be confused into believing the parties . . . are in some way related to each other" and refused Way's registration.<sup>98</sup>

After the TTAB's decision, Way began operating under the name "Vernon Way's Freedom Realty" and Freedom Savings brought an action against him for trademark

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<sup>88</sup> 757 F.2d 1176 (11th Cir. 1985).

<sup>89</sup> FREEDOM, Reg. No. 1,034,458. Freedom Savings' FREEDOM mark depicts the word FREEDOM on a "red and white banner logo, similar to a flag." *Freedom Sav. Loan Ass'n v. Way*, 757 F.2d 1176, 1179 (11th Cir. 1985).

<sup>90</sup> *Freedom Sav.*, 757 F.2d at 1179.

<sup>91</sup> FREEDOM REALTY, Serial No. 156,919 (filed January 30, 1978). The FREEDOM REALTY mark consists of the words FREEDOM REALTY with a red, white, and blue eagle and shield. *Freedom Sav.*, 757 F.2d at 1183.

<sup>92</sup> *Freedom Federal Sav. & Loan Assoc. v. Vernon Way, Jr.*, 217 U.S.P.Q. 971, 972 (TTAB 1981). Freedom Savings also opposed the registration on the grounds that Way's mark "consists of . . . matter which may falsely suggest a connection with opposer." *Id.*

<sup>93</sup> The record before the TTAB consisted of pleadings, Way's application file, Federal Savings FREEDOM registration, discovery requests and responses to requests for admissions, and both parties' oral arguments. *Freedom Federal Sav.*, 217 U.S.P.Q. at 972. Additionally, Way admitted that Freedom Savings owned the FREEDOM mark but denied that there was a likelihood of confusion between the two parties' marks. *Id.*

<sup>94</sup> *Id.* at 973.

<sup>95</sup> *Id.* The TTAB went on to state that this would be especially true because "the marks are not encountered [in] a side-by-side display" but requires one to recall "a previously encountered mark for comparison." *Id.*

<sup>96</sup> *Id.*

<sup>97</sup> *Freedom Federal Sav.*, 217 U.S.P.Q. at 973. The inquiry is not whether both parties are offering identical services, but "whether members of the public who are being served might believe that there is a relationship between the services performed . . . that it might be assumed . . . that those services emanate from . . . or are . . . associated with a single source." *Id.*

<sup>98</sup> *Id.*

infringement.<sup>99</sup> Freedom Savings argued that the TTAB proceedings “conclusively resolved the service mark infringement claim.”<sup>100</sup> However, the District Court for the Middle District of Florida disagreed and instead granted Way’s motion *in limine*, which forbade any reference to the TTAB’s decision.<sup>101</sup> The district court then went through the likelihood of confusion analysis,<sup>102</sup> and determined that there was no likelihood of confusion between Freedom Savings’ FREEDOM mark and Way’s business name.<sup>103</sup> The district court explained that nothing was similar about the two marks except the word “Freedom” and no part of the design suggested a connection between the two businesses.<sup>104</sup>

Freedom Savings appealed the district court’s decision to the Eleventh Circuit Court of Appeals.<sup>105</sup> The Eleventh Circuit affirmed the district court’s decision stating that “in this Circuit, a court hearing a [trademark] infringement claim is not legally and conclusively bound by a prior decision of the TTAB.”<sup>106</sup> After weighing the likelihood of confusion factors, the Eleventh Circuit concluded that there was no likelihood of confusion between the two marks.<sup>107</sup> The court reasoned that the TTAB failed to “compare overall design or . . . relative weakness of the marks.”<sup>108</sup> Freedom Savings and Way did not offer the same services under the mark FREEDOM.<sup>109</sup> Additionally, the two parties operate in very different facilities.<sup>110</sup>

Analyzing *Federal Saving & Loan Association v. Way* under the *B&B Hardware* ruling would not have changed the outcome. The TTAB’s decision would not have been preclusive on the District Court for the Middle District of Florida because the “ordinary elements of issue preclusion” were not met because the TTAB did not

<sup>99</sup> *Freedom S&L Ass’n v. Way*, 583 F. Supp. 544 (M.D. Fla. 1984); *Freedom Sav. & Loan Assoc. v. Way*, 757 F.2d 1176, 1179 (5th Cir. 1985).

<sup>100</sup> *Freedom Sav.*, 757 F.2d at 1179.

<sup>101</sup> *Id.*

<sup>102</sup> When determining if there is a likelihood of confusion, the Eleventh Circuit looks towards the following seven factors: “[i] similarity of design, [ii] similarity of product, [iii] the type of mark at issue, [iv] identity of consumer, [v] similarity of advertising media, [vi] defendant’s intent, and [vii] actual confusion.” *Freedom S&L*, 583 F. Supp. at 559 (citing *Citibank, N.A. v. Citibank Group, Inc.*, 724 F.2d 1540 (11th Cir. 1984)).

<sup>103</sup> *Freedom S&L*, 583 F. Supp. at 551.

<sup>104</sup> *Id.* at 549-550. Additionally, the court found no “credible evidence of actual confusion.” *Id.* at 551. The district court noted that while both companies’ services were “complementary to each other,” Federal Savings offers real estate brokerage services under a different name. *Id.* Therefore, there was no “similarity of services between [Way’s] business and [Federal Savings] operations done under the word ‘Freedom.’” *Id.* The district court also noted that after the TTAB’s decision, Way changed his business’ name “to further distinguish it from [Federal Savings’ mark.” *Id.* When weighing the similarity of advertising, the court stated that while Federal Savings advertises on a larger scale, “both parties advertise in a similar media” but there is “only a slight similarity.” *Id.*

<sup>105</sup> *Freedom Sav. & Loan Ass’n v. Way*, 757 F.2d 1176 (11th Cir. 1985).

<sup>106</sup> *Id.* at 1180. The Eleventh Circuit “has decided that Congress limited the . . . collateral estoppel effect to be given the decision of the TTAB because the Lanham Act provides for extensive judicial involvement in the registration and protection of trademarks.” *Id.*

<sup>107</sup> *Id.* at 1186.

<sup>108</sup> *Id.* at 1183.

<sup>109</sup> Freedom Savings offers its real estate brokerage services under the name Sun Bay Realty Company. *Federal Sav. & Loan*, 757 F.2d at 1183.

<sup>110</sup> *Id.* at 1184. Way operates out of a house and Freedom Savings operates in a commercial banking building. *Id.* The Eleventh Circuit also determined that the identity of customers weighed in favor of neither party and was therefore irrelevant. *Id.* at 1185.

adjudicate the same issue as the one before the district court. The TTAB resolved the issue of likelihood of confusion between Freedom Savings' FREEDOM mark and Way's FREEDOM REALTY mark.<sup>111</sup> However, the trademark litigation suit in the district court involved Freedom Savings' FREEDOM mark and Way's Vernon Way's Freedom Realty business.<sup>112</sup> So, while the TTAB's decision was rendered in a judicial capacity and a final judgment was reached, both parties were not given a fair opportunity to litigate the issues because different issues were before each respective venue. Since the issue before the TTAB was not the same issue as the one before the district court, *B&B Hardware's* ruling would not have changed the outcome of this case.

### C. Second Circuit

The Second Circuit considered the issue of whether a TTAB decision was preclusive in *Levy v. Kosher Overseers Association of America*.<sup>113</sup> In this case, the issue revolved around two similar "kosher certification marks."<sup>114</sup> Levy used its certification mark, an encircled K ("Circle-K"), since 1936 and subsequently registered its mark with the USPTO on September 7, 1965.<sup>115</sup> On May 26, 1989, Kosher Overseers Association of America, Inc. ("Kosher Overseers") filed an application with the USPTO to register its certification mark, an "encircled version of the half-moon K."<sup>116</sup> Once Kosher Overseers' mark was published in the *Official Gazette*, Levy opposed the registration on the grounds that Kosher Overseers' mark was so similar to its mark that it was likely to cause confusion.<sup>117</sup>

After reviewing the record,<sup>118</sup> the TTAB sustained Levy's objection and refused Kosher Overseers' application.<sup>119</sup> The TTAB ruled that confusion was likely because "consumers will be likely to confuse the source of the respective certification marks" and that the two marks were insufficiently different.<sup>120</sup> Kosher Overseers attempted

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<sup>111</sup> Freedom Federal Savings and Loan Association v. Vernon Way, Jr., 217 U.S.P.Q. 971, 973 (TTAB 1981).

<sup>112</sup> Freedom S&L Ass'n v. Way, 583 F. Supp. 544 (M.D. Fl. 1984).

<sup>113</sup> 104 F.3d 38 (2d Cir. 1997).

<sup>114</sup> *Levy*, 104 F.3d at 39. Under trademark law, certification marks are treated the same as trademarks. *Id.*; 15 U.S.C. § 1054 (1999). Kosher certification marks are used to designate food that complies with Judaism's dietary laws. *Levy*, 104 F.3d at 39. "Kosher certification agencies employ their own standards . . . it is important for a consumer to recognize the marks of the certification agenc[y] he trusts." *Id.*

<sup>115</sup> K, Reg. No. 795,748; *Levy v. Kosher Overseers Ass'n of Am.*, 1994 U.S. Dist. LEXIS 9262, \*3 (S.D. NY July 8, 1994).

<sup>116</sup> K, Registration No. 1,605,159; *Levy*, 1994 U.S. Dist. LEXIS 9262, \*3.

<sup>117</sup> Don Yoel Levy and Eliezer Levy, d.b.a. O.K. Laboratories v. Kosher Overseers Assoc. of Am., Inc., 1991 TTAB LEXIS 68, \*2 (TTAB December 11, 1991).

<sup>118</sup> The record consisted of both parties' testimony, Levy's Circle-K registration, and Kosher Overseers' application file. *Don Yoel Levy*, 1991 TTAB LEXIS at \*2.

<sup>119</sup> *Id.* at \*8.

<sup>120</sup> *Id.* at \*6-7. Both marks "consist of the letter K within a circle" and are shown in a "relatively small size on the products so marked." *Id.* at \*7. The TTAB noted that only after careful examination would a consumer be able to note the difference between Kosher Overseers' and Levy's marks. *Id.* at \*6-7.

to argue that the circle around Levy's Circle-K mark was generic and had not obtained secondary meaning.<sup>121</sup>

The TTAB rejected this argument and stated Koshers Overseers' arguments "constitute[d] an impermissible attack on [Levy's] registration, . . . [which was] over twenty-five years old," and that the record does not support Koshers Overseers' position.<sup>122</sup> Finally, Koshers Overseers tried to argue that there was a different likelihood of confusion test for certification marks.<sup>123</sup> Again the TTAB rejected this argument by stating:

While [Koshers Overseers] suggested that there may be a different test of likelihood of confusion in cases involving certification marks, we find no statutory or judicial authority for the position. The same standards applied to trademarks and service marks govern whether a certification mark is likely to cause confusion under Section 2(d).<sup>124</sup>

Koshers Overseers continued to use its half-moon K mark and Levy subsequently brought an action for trademark infringement.<sup>125</sup> Levy asserted that Koshers Overseers was barred under collateral estoppel from defending the trademark infringement action.<sup>126</sup> Koshers Overseers argued that collateral estoppel should not apply because "no court has applied collateral estoppel to unappealed decisions of the TTAB."<sup>127</sup> The District Court for the Southern District of New York stated that "whether TTAB decisions may have collateral estoppel . . . rests on whether the TTAB has considered the marks in light of their market context."<sup>128</sup> The district court went on to hold that the elements of collateral estoppel were satisfied by the TTAB opposition proceeding,<sup>129</sup> and that the "TTAB considered the issue of marketplace essential to an infringement action."<sup>130</sup> The district court ruled that Koshers Overseers was barred under collateral estoppel from defending the trademark infringement action and found in favor of Levy.<sup>131</sup>

Koshers Overseers appealed the district court's ruling to the Court of Appeals for the Second Circuit.<sup>132</sup> The Second Circuit ruled that the district court erred in

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.* at \*8.

<sup>124</sup> *Don Yoel Levy*, 1991 TTAB LEXIS at \*8.

<sup>125</sup> *Levy v. Koshers Overseers Ass'n of Am.*, 1994 U.S. Dist. LEXIS 9262 (S.D. NY July 8, 1994).

<sup>126</sup> *Id.* at \*6.

<sup>127</sup> *Id.* at \*6-7. The district court rejected this argument stating the "*Jim Beam* court did not rule that a TTAB proceeding could *never* have collateral estoppel effect on subsequent litigation." *Id.* at \*10 (emphasis added).

<sup>128</sup> *Id.* at \*15.

<sup>129</sup> The second circuit uses a four-prong test in determining whether collateral estoppel applies:

- (i) the issues in both proceedings must be identical, (ii) the issue in prior proceedings must have been actually litigated and decided, (iii) there must have been a full and fair opportunity for the litigation in the prior proceeding, and (iv) the issue previously litigated must have been necessary to support a valid and final judgment on the merits.

*Levy*, 1994 U.S. Dist. LEXIS 9262 at \*16 (citing *Beck v. Levering*, 947 F.3d 639, 642 (2d Cir. 1991)).

<sup>130</sup> *Id.* at \*18.

<sup>131</sup> *Id.* at \*20.

<sup>132</sup> *Levy v. Koshers Overseers Ass'n of Am.*, 104 F.3d 38, 39 (2d Cir. 1997).



applying collateral estoppel.<sup>133</sup> The Second Circuit explained that “the standards governing ‘likelihood of confusion’ in . . . opposition proceedings before the TTAB . . . can be different than the ‘likelihood of confusion’ standard [used] in trademark infringement actions in district court[s].”<sup>134</sup> The Second Circuit concluded that the TTAB’s analysis was not identical to the *Polaroid* analysis.<sup>135</sup> Additionally, the Second Circuit stated that the TTAB did not look at other relevant *Polaroid* factors but only considered the similarity of the two marks.<sup>136</sup> The Second Circuit concluded that collateral estoppel should not have been applied.<sup>137</sup>

Applying *B&B Hardware*’s ruling to this case, the TTAB’s decision should have been preclusive. The Second Circuit’s reasoning that the TTAB uses a different set of factors for likelihood of confusion<sup>138</sup> was clearly rejected by the Supreme Court in *B&B Hardware*.<sup>139</sup> In reaching its decision, the TTAB compared the two marks’ appearance, the commercial use, and the marks’ usage in the marketplace.<sup>140</sup> Specifically, the TTAB examined the “manner in which [the marks] appeared on the packaging [in the marketplace].”<sup>141</sup> The TTAB considered actual marketplace usage and the usages before the TTAB were materially the same as the ones before the district court.<sup>142</sup> Therefore, the TTAB’s decision would have been preclusive and the District Court for the Southern District of New York was correct in applying collateral estoppel.

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<sup>133</sup> *Id.* at 39.

<sup>134</sup> *Id.* at 41. The Second Circuit further explained that opposition proceedings are determined by the mark as stated in the application “regardless of actual usage” and many oppositions are decided by “a limited comparison of the registered or applied-for format and goods without regard for their marketplace manner of use.” *Id.* at 41-42 (quoting 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 32:31 (2d ed. 1984)).

<sup>135</sup> The Second Circuit analyzes likelihood of confusion under the eight *Polaroid* factors:

(i) strength of plaintiff’s mark, (ii) degree of similarity between the plaintiff’s and defendant’s marks, (iii) proximity of the products, (iv) likelihood of plaintiff will ‘bridge the gap’ between the two products, (v) actual confusion between the two marks, (vi) defendant’s good faith in adopting its mark, (vii) quality of the defendant’s products, and (viii) sophistication of the buyers of the plaintiff’s and defendant’s goods or services.

*Levy*, 104 F.3d at 42; *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 960 (2d Cir. 1996). No one *Polaroid* factor is determinative. *Levy*, 104 F.3d at 43.

<sup>136</sup> *Levy*, 104 F.3d at 43.

<sup>137</sup> *Id.*

<sup>138</sup> *Id.* at 42.

<sup>139</sup> *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1307 (2015). The likelihood of confusion factors used by the various circuits and the TTAB are “not fundamentally different and [the] minor variations in the application of what is in essence the same legal standard do[es] not defeat preclusion.” *Id.*

<sup>140</sup> *Levy v. Koshers Overseers Ass’n of Am.*, 1994 U.S. Dist. LEXIS 9262, \*7 (S.D. NY July 7, 1994).

<sup>141</sup> *Levy*, 1994 U.S. Dist. LEXIS 9262, at \*4-5. “Both marks, consisting of the letter K within a circle, are displayed in relatively small size on the products . . . only after careful examination would a consumer be able to discern the slight difference. *Don Yoel Levy*, 1991 TTAB LEXIS at \*7.

<sup>142</sup> In *B&B Hardware*, the Supreme Court stated *de novo* challenges are available for parties “dissatisfied with the TTAB’s decision.” 135 S. Ct. at 1306. The fact that Koshers Overseers did not appeal the TTAB’s decision does not change the outcome as there is a specific remedy for parties who are dissatisfied with the ruling.

## IV. PROPOSAL

The Supreme Court's holding in *B&B Hardware* seems to allow parties in a TTAB decision to control whether or not it is preclusive.<sup>143</sup> This section proposes strategies in the TTAB that may allow a decision to become preclusive or not and poses questions that *B&B Hardware v. Hargis Industries* did not answer.

Under certain circumstances, a party may want the TTAB's decision to be preclusive on subsequent district court litigation. At the outset, when filing a trademark application, parties need to consider narrower goods and services definition in the trademark application.<sup>144</sup> For example, if the application is a use-based application, the goods and services definition should accurately reflect how the mark is actually used in commerce.<sup>145</sup> Furthermore, parties should introduce marketplace surveys and evidence of use to persuade the TTAB to consider actual marketplace usage in order to make the decision preclusive.<sup>146</sup>

On the other hand, there are strategies to prevent a TTAB's decision from becoming preclusive in district court. If an opposition proceeding has begun and seems like it is going against the applicant's favor, the applicant may withdraw the application and take his chances in a federal district court without risking preclusion from the TTAB's decision.<sup>147</sup> Alternatively, a party can challenge the TTAB's scope of discovery or that the evidence of the mark's use is different than what the TTAB considered.<sup>148</sup> Furthermore, a strong way of making sure that a TTAB's decision will not be preclusive on the district court is to make sure the issue before the district court is different than the issue decided by the TTAB.<sup>149</sup> It is important to note, however, that withholding arguments in the TTAB could backfire in district court if the district court applies issue preclusion.<sup>150</sup> Parties dissatisfied with the TTAB's decision are more likely to see *de novo* review.<sup>151</sup>

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<sup>143</sup> Uli Widmaier, Pattishall McAuliffe Newbury Hilliard & Geraldson LLP, *Supreme Court holds that issues decided by the TTAB May be preclusive in Federal Court* (May 25, 2015).

<sup>144</sup> Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc. for Corporations* (September 29, 2015).

<sup>145</sup> *Id.*

<sup>146</sup> Michael Metteauer, Norton Rose Fulbright US, LLP, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc. for Corporations* (September 29, 2015); Andrew L. Deutsch and Tamar Y. Duvdevani, DLA Piper: Life after *B&B Hardware v. Hargis Industries—Implications for Brand Owners* (May 4, 2015).

<sup>147</sup> Katherine Basile, Reed Smith, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc. for Corporations* (September 29, 2015).

<sup>148</sup> Kenneth L. Wilton, Seyfarth Shaw, American Intellectual Property Law Association: Debriefing *B&B*: Takeaways and Tips on Issue Preclusion in Trademark Litigation (April 23, 2015). By challenging the scope of discovery a party can argue that they were not given a full and fair opportunity to litigate and that issue preclusion should not apply.

<sup>149</sup> *Id.* See e.g. *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974) (stating that the issue before the TTAB was priority of the marks while the issue before the district court was trademark infringement and a likelihood of confusion between the two marks).

<sup>150</sup> Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc. for Corporations* (September 29, 2015).

<sup>151</sup> Deutsch and Duvdevani, *supra* note 146. Decisions that are appealed are not preclusive.

At the end of the day, “Board decisions based on likelihood of confusion . . . should be given preclusive effect on a case-by-case basis.”<sup>152</sup> When issue preclusion does apply, it will be a powerful tool.<sup>153</sup> Ultimately, “[t]he full impact of *B&B Hardware* will become clearer as the courts and the TTAB begin applying the decision.”<sup>154</sup>

The Supreme Court’s opinion did not address all possibilities of trademark proceedings and several questions remain. Traditionally, the TTAB suspends its proceedings when the parties are involved in a civil action in federal district court.<sup>155</sup> Will the TTAB still stay its proceedings when a simultaneous district court proceeding is happening on the same issue? Will issue preclusion in federal district courts apply to Patent Trial and Appeal Board decisions?<sup>156</sup> Will the TTAB’s findings on other issue be found to be preclusive in federal district court litigation?<sup>157</sup> For example, will TTAB decisions on priority, descriptiveness, or genericness be preclusive? Additionally, will a cancellation proceeding be preclusive in federal district court?<sup>158</sup> Will *ex parte* proceedings be preclusive in federal district court?<sup>159</sup> Similarly, will a TTAB’s default judgment be a fully and fairly litigated issue and therefore preclusive?<sup>160</sup> Will opposition proceedings involving intent to use applications be preclusive?<sup>161</sup>

## V. CONCLUSION

This comment looked at the effect the Supreme Court’s holding in *B&B Hardware v. Hargis Industries, Inc.*<sup>162</sup> will have on trademark litigation. By applying this holding to prior cases, we see that the scope of this holding is a narrow

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<sup>152</sup> 3 ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 11.08 (Matthew Bender).

<sup>153</sup> Matthew Owen, Caterpillar Inc., IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015).

<sup>154</sup> Deutsch and Duvdevani, *supra* note 146.

<sup>155</sup> TBMP, *supra* note 14, § 510.02. “Whenever it shall come to the attention of the Trademark Trial and Appeal Board that a party or parties to a pending case are engaged in a civil action or another board proceeding which may have a bearing on the case, proceedings before the Board may be suspended until termination of the civil action or other Board proceeding.” 37 C.F.R. § 2.117(a).

<sup>156</sup> Grantland G. Drutchas and James L. Lovsin, McDonnell Boehnen Hulbert & Berghoff LLP: After *B&B Hardware*, What is the Full Scope of Estoppel Arising From a PTAB Decision in District Court Litigation? (Spring 2015); Kenneth L. Wilton, Seyfarth Shaw, American Intellectual Property Law Association: Debriefing *B&B*: Takeaways and Tips on Issue Preclusion in Trademark Litigation (April 23, 2015).

<sup>157</sup> Maureen R. Smith, Nixon Peabody, Nixon Peabody Corporate Counsel IP Seminar: Can Confusion Mean Preclusion? *B&B Hardware* and Other Developments in Trademark Law (June 2, 2015). Will a TTAB’s decision on an opposition proceeding revolving around property be preclusive in district court?

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Id.*; Hon. Gerard Rogers, U.S. Patent and Trademark Office, IPO Annual Meeting: TTAB Update and Implications of *B&B Hardware, Inc. v. Hargis Industries, Inc.* for Corporations (September 29, 2015).

<sup>162</sup> *B&B Hardware v. Hargis Indus.*, 135 S. Ct. 1293 (2015).

one that, as Justice Ginsberg noted in her concurrence,<sup>163</sup> will not apply to the majority of trademark registrations.

The true implications of *B&B Hardware* remain to be seen and many questions still remain on the scope and application of this decision.

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<sup>163</sup> *B&B Hardware*, 135 S. Ct. at 1306, 1310 (Ginsburg, J., concurring).