

LEGAL UPDATES

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## Services

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# Brand Owners Beware: Trademark Opposition Proceedings Take on New Significance Following the Supreme Court's Ruling

On March 24, 2015, the U.S. Supreme Court issued its long-awaited decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, in which the Court held that trial and appellate courts should, in certain circumstances, give issue preclusive effect to trademark opposition decisions of the Trademark Trial & Appeal Board (TTAB). The TTAB is an administrative tribunal within the United States Patent and Trademark Office (PTO) charged with deciding disputes about obtaining or maintaining a federal trademark registration. As discussed below, this decision may have significant impact on how brand owners address opposition proceedings raised by competitors at the TTAB.

## Background

Hargis, a manufacturer of fasteners for the construction trade, filed an application with the PTO to register SEALTITE as a trademark for its construction fastener products. B&B, a manufacturer of fasteners for the aerospace industry, opposed the registration with the TTAB, claiming the Hargis mark was too similar to its own SEALTIGHT trademark for aerospace fastener products.

Around the same time, B&B sued Hargis for infringement of the SEALTIGHT mark in federal court, claiming that consumers would likely be confused if Hargis was allowed to actually use the SEALTITE mark in commerce with its fasteners. Before that lawsuit was decided, the TTAB issued a ruling, finding that the SEALTITE mark could not be registered because the marks and goods were so similar that consumers would likely be confused between the two marks. B&B, empowered by the TTAB's decision, argued to the U.S. District

Court for the Eastern District of Arkansas that Hargis could not contest the issue of “likelihood of confusion” because the TTAB decision already addressed it – that is, it had “preclusive effect” against Hargis being able to reargue those points at trial. The district court disagreed, and a jury returned a verdict in favor of Hargis, finding there was no likelihood of confusion between the competing trademarks. B&B appealed, and the Eighth Circuit affirmed the district court’s ruling.

At the time of the Eighth Circuit’s decision, the law on what impact a TTAB decision could have in a dispute relating to use of trademarks was murky and largely dependent upon what court was addressing the issue. Hargis sought to have the Supreme Court clarify what impact a TTAB decision has on any infringement litigation and what a party would be entitled to tell a jury about how the TTAB decided the “likelihood of confusion” issue.

### The Supreme Court Decision

In its ruling this week, the Supreme Court reversed the Eighth Circuit, holding that, as long as the issues decided by the TTAB are materially the same as those before the district court, there should be a prohibition against a party seeking to revisit those issues in a subsequent trademark infringement suit. In other words, under certain circumstances, the TTAB’s decision on “likelihood of confusion” will determine the outcome of a materially similar “confusion” claim brought in an infringement lawsuit. And, if the TTAB’s decision remained unchallenged (not appealed), that decision, regardless of the depth of evidence presented or analysis employed, could have a preclusive effect on issues in any subsequent trademark infringement lawsuit.

### Why is the *B&B* ruling important for brand owners?

1. **Your Evaluation of Risks and Rewards for Filing Trademark Oppositions May Now Change.** In the past, trademark oppositions often were viewed as an economical way to challenge use of a trademark by a competitor. *B&B* may change your decision calculus since the outcome of an opposition at the TTAB could seriously impact, if not determine, the result in any subsequent trademark infringement lawsuit.
2. **Do Not Take TTAB Proceedings Lightly.** Prior to *B&B*, the primary outcome a brand owner could achieve through the filing of an opposition proceeding was to prevent a party from registering a mark. A separate lawsuit had to be filed to stop an opponent from actually using that trademark in commerce. Now, the outcome of a TTAB proceeding may be determinative in any related lawsuit directed to use of the mark. If you are opposing a mark and want to challenge an infringer, there may be benefits to thoroughly developing your evidence and argument in an opposition proceeding since the more complete the Board’s analysis of infringement factors, the more likely the outcome will have a preclusive effect in any district

court litigation directed to use of the mark. To stop an infringer, however, a brand owner still will need to seek assistance from the courts in the form of injunctive relief.

3. **If you are defending against an opposition, consider the potential ramifications of your level of defensive commitment.** Parties defending opposition proceedings in the past may have, in some circumstances, elected to minimize their investment in that defense and focus on brand development in the marketplace. Now, these choices may more directly impact your company's ability to use a proposed brand going forward. It may be prudent, for example, to hire a survey expert at the opposition stage rather than waiting to see if an infringement action ultimately gets filed.
4. **Give strong consideration to appealing any Board determination where the findings could have preclusive effect in litigation.** The Supreme Court made it clear that, in the event a party challenges the outcome of an opposition proceeding, it may lose its issue preclusive effect.
5. **Give greater thought to bypassing the TTAB altogether and going straight to court.** If an applicant is using a confusingly similar mark and if your strongest evidence regarding likelihood of confusion resides with factors that may be of less importance to the Board, it may be better to go straight to the courts rather than risk a potentially issue preclusive ruling that could eliminate your ability to make your best case.

The Supreme Court's ruling left many unanswered questions concerning when and how issue preclusion may occur and what evidence may be presented to a jury in a subsequent infringement suit. No doubt the real impact of the *B&B* decision will materialize over time as lower courts feel their way through its teachings. For now, parties involved in proceedings before the PTO's TTAB should reevaluate their approaches to either prosecuting or defending that action to place themselves in the best possible position, whatever the outcome.

### Contact Us

If you have questions about this or other legal issues, contact an attorney in Husch Blackwell's Intellectual Property group.