



The BandB Hardware Case and its Potential Impact on Trademark Litigation

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Trademark disputes can often play out in a number of forums. Trademark disputes often start off in the marketplace, with a confused consumer, and then proceed to litigation in several tribunals including the Trademark Trial and Appeal Board (“TTAB”), the federal District and Circuit courts, and sometimes foreign courts and other international tribunals. The question of whether and to what extent issue preclusion should apply when federal courts are faced with issues that were decided in TTAB proceedings is one that has troubled the courts for years.

Recently, the Supreme Court offered some guidance on this issue, although a great deal of uncertainty remains. In *BandB Hardware v. Hargis Industries*, 135 S. Ct. 1293 (Mar. 24, 2015), the Supreme Court overturned the Eighth Circuit and held that it is possible for a TTAB decision to form the basis of a claim of issue preclusion, as long as the general requirements for issue preclusion are met. Due to the nature of TTAB proceedings, however, the Court’s holding creates a general rule that is consumed, to a large degree, by the situations to which it cannot apply. It should be noted, that while this holding signaled a shift in the jurisprudence of the Eighth Circuit, the Court’s holding is consistent with prior decisions within the Second Circuit.

Methods for protecting a mark under the Lanham Act

As Justice Alito, writing for the Court, explained in *BandB Hardware*, the Lanham Act provides two primary methods for protection of a trademark. First, it allows for federal registration of a mark used in commerce. Registration offers valuable benefits, including *prima facie* validity of the mark, providing notice of the party’s use of the mark in commerce, and the opportunity for a mark to become incontestable. Second, the Lanham Act provides users of trademarks the ability to bring an infringement action in the federal courts, regardless of whether the mark is registered. This distinction is important because the scope of the TTAB’s jurisdiction is limited to registration proceedings, known as opposition or cancellation proceedings, which determine whether a registration certificate can be issued or remain valid. The TTAB does not have the authority to issue injunctions or prevent a party from using a mark. Pursuant to the Lanham Act, if a party is dissatisfied with a ruling of the TTAB, that party has two options; it can either appeal the decision to the Federal Circuit Court of Appeals, or it can seek review *de novo* in a federal District Court.

The BandB Hardware Dispute

In the case of *BandB Hardware*, two separate entities were using similar marks on similar products. The TTAB, in an opposition proceeding, held that the marks are confusingly similar, and the junior user, Hargis Industries, could not obtain a registration certificate. Hargis Industries did not appeal the TTAB decision in the Federal Circuit, nor did it seek review of the decision in the District Court. However, while the TTAB proceeding was pending, BandB Hardware and Hargis Industries were simultaneously involved in a trademark infringement suit. In any trademark infringement suit, the likelihood of confusion is often the critical determination to be made by the judge or jury. When Hargis Industries attempted to make its case against a finding of likelihood of confusion, BandB Hardware responded that the issue of confusion was already decided by the TTAB, and issue preclusion barred Hargis Industries from arguing its position. The District Court rejected BandB Hardware's issue preclusion argument, holding that TTAB decisions cannot form the basis for an issue preclusion claim in federal court. The Eighth Circuit, while it intimated that issue preclusion could be possible in some trademark cases, held that it was not applicable in this case because the Eighth Circuit uses a different test for confusion than the TTAB.

The Supreme Court disagreed. First, the Court held that based on prior Supreme Court decisions, where a statute creates an adjudicatory administrative process, agency determinations are generally capable of forming the basis of an issue preclusion claim, unless Congress expressed or implied a contrary intent. The Court (over the dissent of Justices Thomas and Scalia), held that there is nothing in the Lanham Act that implies such an intent with regard to TTAB decisions. To the contrary, the Court held that there is no reason to doubt the veracity or fairness of TTAB proceedings and the outcome of such proceedings is important enough to the litigants that issue preclusion can apply.

Second, the Court held that there is no reason that issue preclusion cannot apply to a TTAB finding regarding likelihood of confusion, as long as the other general elements of issue preclusion are present, namely "[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." In *BandB Hardware*, Hargis Industries argued that TTAB decisions are limited to a review of the marks and the services as they are described in the trademark registration or application. The TTAB does not take into account how the marks are actually used in commerce, which is the subject matter reviewed by a court in an infringement case. The Supreme Court explained that even though many trademark cases may not be suitable for issue preclusion because of differences between the registration certificate and actual use in commerce, it does not follow that all cases will be unsuitable. Ultimately, the Court concluded that where there is no material difference between the registration certificate and the actual use and appearance of the mark in commerce, issue preclusion may apply. The Court remanded the particular matter for further review.

In a compelling dissent, Justice Thomas, joined by Justice Scalia, called into question the extent to which the Supreme Court had previously approved of administrative issue preclusion. After attacking the two cases cited by the Court as an authority, the dissent raised a Constitutional concern that was not preserved by Hargis Industries. The dissent argued that allowing executive agencies the authority to bind federal courts violates Article III of the Constitution. Justice Thomas explained that the Lanham Act limits the TTAB's jurisdiction to the validity of certificates issued by the USPTO, not determination of infringement claims. He argued that the Court's decision on issue preclusion provides "an end-run" around this limit. The dissent also pointed out the Lanham Act does signal an intent to disallow issue preclusion because it allows the parties to seek *de novo* review of the TTAB's

decisions in Federal Court. Since issue preclusion plainly cannot apply in that context, the dissent argues, that it is incongruous to hold that issue preclusion can apply in other actions before a federal court deciding a different issue (i.e., infringement vs. registrability of a mark).

Impact of the Decision

The real impact of this decision will be greater in Circuits that had previously held that TTAB rulings can never bind a court. The Second Circuit has previously held that where the TTAB has given significant consideration to use in commerce in reaching a decision on likelihood of confusion, then its decision may be binding on a court deciding an infringement claim. See *Jim Beam Brands v. Beamish and Crawford*, 937 F.2d 729 (2d Cir. 1991). In that case, however, the differences between a standard character word mark and the identical text as it appeared on the companies' labels were enough to rule that issue preclusion did not apply in that case. This is consistent with the Supreme Court's holding in *BandB Hardware* but shows that the practical application of the Court's holding may be greatly diminished, at least in the context of standard character marks, which generally tend to be stylized in some significant way when the marks are used in commerce.

It is too early to tell what the impacts of *BandB Hardware* will be on trademark litigation, but it is a warning to litigants to choose their forums carefully and adds a new factor to consider when deciding whether to seek judicial review of an adverse TTAB ruling. It is also unclear as to whether other issues decided by the TTAB (e.g., the recent decision that the mark REDSKINS is disparaging), can bind a court deciding whether to issue an injunction.

If your institution has questions or concerns about this topic and you would like further information, please email Karen I. Levin at klevin@cullenanddykman.com