Issue Preclusion in Trademark Litigation:
Implications of B&B Hardware
Navigating Preclusive Effect and Rethinking TTAB Strategy in Likelihood of Confusion Cases and Beyond

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Issue Preclusion in Trademark Litigation: Implications of *B&B Hardware*
Navigating Preclusive Effect and Rethinking TTAB Strategy in Likelihood of Confusion Cases and Beyond

May 12, 2015
Stephen R. Baird
Setting the Stage for Discussion:
Why We All Like(d) TTAB Enforcement

• Despite the Board’s limited jurisdiction, determining only the right to register, brand owners have been able to secure an adversary’s attention and engage with them in this much less-threatening forum.

• Ability to stand in the way of registration creates negotiation leverage.

• Ideal forum for reaching amicable resolution and agreement on future issues raised by the filing, but not yet in the marketplace causing harm.

• Ideal forum for testing claims without committing to federal litigation.

• Less costly forum, and no risk of exceptional case, attorney’s fees awards, or even monetary sanctions, even if terribly unsuccessful.

• Easier for an opposer to win at the TTAB than in federal district court.

• Able to protect the Register without proving trademark infringement.
Setting the Stage for Discussion: Why We All Like(d) TTAB Enforcement

- An opposer is able to prevent issuance of broad registered rights.
- An opposer is able to conduct discovery early on to decide if it should file suit in federal district court for trademark infringement.
- It is fairly easy for opposer to engage the attention of an adversary in the TTAB without triggering declaratory judgment jurisdiction.
- No requirement that prevailing party follow through to challenge use even after successfully opposing registration of another’s mark.
- Easier for opposer to sit in the driver’s seat without huge investment.
- It is common and routine for an opposer to easily suspend a TTAB proceeding while it actually pursues federal district court action.
- Vast majority of oppositions/cancellations settle on amicable terms that involve not only the right to register, but the right to use too.

- Court noted: “The twists and turns in the SEALTIGHT versus SEALTITE trademark controversy are labyrinthine.”
- Ongoing for about two decades at USPTO, federal district court, Eighth Circuit Court of Appeals, and Supreme Court.
- B&B federally registered SEALTIGHT for “…self-sealing nuts, bolts, screws, rivets and washers, all having a captive o-ring, for use in the aerospace industry.”
- B&B opposed Hargis’ application to register SEALTITE for “self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings.”
- Despite different channels in the IDs, Board found conflict.
Overview of *B&B Hardware, Inc. v. Hargis Industries, Inc.*

- Board sustained B&B’s opposition of Hargis’ SEALTITE trademark application, finding a likelihood of confusion.
- Hargis did not appeal the Board’s adverse decision as to registration, neither the Federal Circuit nor District Court.
- In federal trademark infringement action between same parties, Arkansas jury found no likelihood of confusion.
- Arkansas federal district court rejected B&B’s attempt to rely on prior Board decision finding likelihood of confusion and thereby invoke issue preclusion doctrine.
- Eighth Circuit affirmed, rejecting application of issue preclusion on the likelihood of confusion question.
Issues Before Supreme Court

1) Whether the Trademark Trial and Appeal Board’s finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element; and

2) Whether, if issue preclusion does not apply, the district court was obliged to defer to the Board’s finding of likelihood of confusion absent strong evidence to rebut it.
Understanding Ordinary Rules of Issue Preclusion

- Court: “Although the idea of issue preclusion is straightforward, it can be challenging to implement.”

- “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.” (emphasis added)

Restatement (Second) of Judgments §27, p. 250 (1980).
Supreme Court’s Holding (7-2 Majority)

• Justice Alito for majority: “[W]e hold that a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met.” (emphasis added)

• “On remand, the court should apply the following rule: So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.” (emphasis added)

• “The judgment of the United States Court of Appeals for the Eighth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.”
The Eighth Circuit Trademark Landscape: Both Pre- and Post-

• The Right to Register versus the Right to Use
• Brand Owner’s Ability to Value Right to Register Less than Right to Use; Very Separate Rights
• Successful Opposer Still Had to File Suit to Challenge Use and Obtain Injunctive Relief
• Losing Applicant Could Keep Using Mark Without Appeal, and Vigorously Defend if Sued
• The Paradigm Shift; Applicant at Great Risk Now
• Focus Now on Strategy: Likelihood of Preclusion
The Likelihood of Preclusion

• Ability to predict how tactical decisions will impact likelihood of preclusion worthwhile

• Will parties gravitate toward certainty?

• A sliding scale of considerations to weigh?

• The tactics of not clearing unregistrable marks for use, not filing applications for such marks, and not defending oppositions yields certainty: No preclusion.
What We Know For Sure Now

• Court rejected INTA’s black/white view and *per se* rule that preclusion should never apply to TTAB decisions.

• Court believes: “Registration is significant.” It provides to registrants “important legal rights and benefits.”

• Likelihood of confusion is the very same issue in both registration and infringement contexts.

• Losing party at TTAB must carefully think twice before not appealing adverse TTAB decision (A “losing litigant deserves no rematch after a defeat fairly suffered.”)

• The idea of issue preclusion is straightforward, but it is “challenging to implement.”
What We Know For Sure Now

• TTAB need not be an Article III Court to preclude district court relitigation of the same issues the Board decides.

• Issue preclusion resulting from a TTAB decision does not likely violate the Seventh Amendment right to a jury trial.

• Nothing in the Lanham Act’s text or structure forbids the application of issue preclusion to final TTAB decisions.

• No issue preclusion can result from a TTAB decision during its review, while it is on appeal to the CAFC or district court.

• Issue preclusion is not a one-way street.

• When a district court decides an issue that overlaps with part of TTAB analysis, the TTAB gives preclusive effect.
What We Know For Sure Now

• Likelihood of confusion factors in various tests not fundamentally different, so no basis for a categorical rule against issue preclusion.
• Court unmoved that “parties may spend more time and energy before the TTAB, thus bogging down registration process.”
• “The Board’s determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages.”
• When “owner uses its mark in ways that are materially unlike the usages in its application . . . TTAB is not deciding the same issue.”
• “[I]f the TTAB considers a different mark altogether, issue preclusion would not apply.”
• “[I]f the TTAB has not decided the same issue as that before the district court, there is no reason” any deference would be warranted.
Questions Unanswered By Supreme Court

- No certainty on what principles should guide us for predicting whether “a mark owner uses its mark in ways that are materially the same as the usages included in its registration application…”? (emphasis added)
- Court notes: “Materiality, of course, is essential,” but what does that actually mean? Is *Hana Bank* relevant?
- What is a trivial variation? “[T]rivial variations between the usages set out in an application and the use of a mark in the marketplace do not create different ‘issues,’ just as trivial variations do not create different ‘marks.’”
Questions Unanswered By Supreme Court

• Generally adding descriptive or non-descriptive elements to mark will not avoid preclusion, really?

• Anything else? Does typed drawing impact the analysis?

• What if only one party discloses actual use? “[I]f the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should ‘have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.’” (emphasis added)

• Can preclusion ever result from TTAB decision refusing registration of an ITU Application without use in record?
Questions Unanswered By Supreme Court

• What issues might be “ill-suited” for court to rely on TTAB decision as determinative given TTAB procedures, beyond the exclusion of evidence and no live testimony?

• Other examples where party before TTAB is materially prejudiced from being able to present its case?

• How “rare” will it be that a party to a prior TTAB action is able to show a later district court the “compelling unfairness” needed to avoid applying issue preclusion?

• Under what circumstances might the different stakes of TTAB’s ruling on registration excuse the later application of issue preclusion by a district court, if any?
Thank You!

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Types of Proceedings

- **Oppositions** - “Any person who believes that he would be damaged by the registration of a mark upon the principal register. . . may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor. . . .” TBMP 303.01

- **Cancellations** – “A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged. . . by the registration of a mark on the principal register established by this chapter. . . .” TBMP 303.01

*TBMP 307.02* – “a petitioner may not seek to cancel a Principal Register registration over 5 years old on the ground of likelihood of confusion.”
Questions Pre-Filing

• For oppositions, was the opposed application filed on the basis of 1(a) or 1(b)?

• Is the B&B Hardware holding only applicable to oppositions of 1(a) applications and cancellations?

• Is the opposition or cancellation a candidate for later infringement litigation?
  - Declaratory relief actions
  - Stays
PRACTICAL IMPLICATIONS OF B&B HARDWARE TO TTAB PROCEEDINGS

Deciding Which Grounds to Allege

• *B&B Hardware* was decided at TTAB on likelihood of confusion grounds and TTAB finding was used “offensively” in subsequent district court litigation.

  (1) *Trademark Act § 2(d), 15 U.S.C. § 1052(d):* That defendant’s mark so resembles a mark registered in the Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods or services of the defendant, to cause confusion, or to cause mistake, or to deceive. TBMP 309.03

• Can *B&B Hardware* be read to include the “defensive” uses of issue preclusion?

• Similarly, is *B&B Hardware* applicable to opposition/cancellation grounds other than likelihood of confusion?

  Descriptiveness, priority, abandonment, etc.
**Likelihood of Confusion**

- The evidentiary factors the Board considers in determining likelihood of confusion are set out in *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973). These factors include:
  - the similarity of the marks;
  - the relatedness of the goods and/or services;
  - the channels of trade and classes of purchasers for the goods and/or services;
  - the number and nature of similar marks in use on similar goods;
  - the nature and extent of any *actual confusion*; and
  - and the fame of the prior mark.
PRACTICAL IMPLICATIONS OF B&B HARDWARE TO TTAB PROCEEDINGS

Likelihood of Confusion

• The relevance and weight to be given the various factors may differ from case to case and a single *du Pont* factor may be dispositive in certain cases. TBMP 309.01.B.

• Note that many of these factors are based on actual “marketplace usage”

• Will the TTAB simply refuse to consider “usage” issues, thereby minimizing (or eliminating) the potential for issue preclusion under *B&B Hardware*?
PRACTICAL IMPLICATIONS OF B&B HARDWARE TO TTAB PROCEEDINGS

Marketplace Usage

“If a mark owner uses a 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 issue as a District Court in infringement litigation. By contrast, 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. Thus, if the TTAB does not consider the market-place usage of the parties' marks, the TTAB’s decision should ‘have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.’”

Slip Opinion at 18
(quoting 6 McCarthy Trademarks and Unfair Competition § 32:101 at 32-246).
PRACTICAL IMPLICATIONS OF B&B HARDWARE TO TTAB PROCEEDINGS

Discovery

• Scope of discovery in light of potential for issue preclusion:

  Discovery before the Board under 37 CFR § 2.120 is similar in many respects to discovery before the federal district courts under the Federal Rules of Civil Procedure. Ordinarily, the discovery provisions of the Federal Rules of Civil Procedure are applicable in Board *inter partes* proceedings, except as otherwise provided in 37 CFR § 2.120. TBMP 401

• Is it necessary to conduct extensive discovery on all *du Pont* factors, including marketplace usage?
Depositions

• Discovery Deposition vs. Testimony Deposition Approaches.
• In light of the potential for issue preclusion, is it now necessary to take “more thorough” discovery depositions of all witnesses from whom testimony depositions will be taken?
• The discovery deposition of a party . . . may be offered in evidence by any adverse party.
PRACTICAL IMPLICATIONS OF B&B HARDWARE TO TTAB PROCEEDINGS

Depositions

• Otherwise, the discovery deposition of a witness, whether or not a party, may not be offered in evidence except in the following situations:
  1. By stipulation of the parties, approved by the Board.
  2. By order of the Board, on motion showing that the person whose deposition was taken is, during the testimony period of the party offering the deposition, dead; or out of the United States, etc.
  3. If only part of a discovery deposition is submitted and made part of the record by a party entitled to offer the deposition in evidence, an adverse party may introduce under a notice of reliance any other part of the deposition which should in fairness be considered so as to make not misleading what was offered by the submitting party. TBMP 704.09
ACR

Accelerated Case Resolution ("ACR") is an alternative to typical Board *inter partes* proceedings with full discovery, trial and briefing, in which parties to a Board proceeding can obtain a determination of the claims and defenses in their case in a shorter time period than contemplated in the typical Board proceeding.

Are cases with issue preclusion potential suitable candidates for ACR?

What are the dangers in agreeing to ACR in light of issue preclusion potential?
Will *B&B Hardware* lead to an increased use of experts in TTAB cases?

What factors should be considered in deciding to engage an expert in a TTAB case after *B&B Hardware*?
PRACTICAL IMPLICATIONS OF *B&B HARDWARE* TO TTAB PROCEEDINGS

**Final Thoughts**

If B&B Hardware signals a paradigm shift in the handling of TTAB cases, it is not likely to be a dramatic shift.

Relatively few cases were litigated to decision before *B&B Hardware*; that is likely to remain the case after *B&B Hardware*. 
Thank You

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Strafford Live CLE Webinar

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TTAB Issue Preclusion in Federal Court

• District court proceedings where TTAB issue preclusion may apply.
• Proceedings where TTAB issue preclusion does not apply – Lanham Act Section 21, 15 USC § 1071.
• As a result of B&B Hardware, Section 21 proceedings are likely to become more important.
Section 21 of the Lanham Act, 15 USC § 1071: No Issue Preclusion under *B&B Hardware*

- Sec. 21(a): Appeal to Federal Circuit.
- Sec. 21(b): Civil action in Federal District Court.
Who may proceed under Section 21?

- Any party to a final TTAB decision (among others) who is “dissatisfied” with the decision.
- Same standard for Sec. 21(a) appeals and Sec. 21(b) district court actions.
Section 21(a) Appeal to Federal Circuit: closed record; deferential review

- **The appellate record is closed.** No new evidence can be introduced.
- Standard of review of TTAB fact findings is deferential, rather than *de novo*.
- “[The appropriate standard of review for PTO findings of fact is the "substantial evidence" standard[, which] . . . requires the reviewing court to ask whether a reasonable person might find that the evidentiary record supports the agency’s conclusion.” *On-line Careline Inc. v. America Online Inc.*, 229 F.3d 1080, 1085 (Fed. Cir. 2000).
Who proceeds under Sec. 21(a)?

- Losing party before TTAB who wants an appeal on the TTAB record and does **not** want to introduce additional factual evidence.
- Analogous to appeal from a district court judgment.
Section 21(b) District Court action: open record; *de novo* review

- New evidence *can* be introduced.
- “In district court, the parties can conduct additional discovery and the judge resolves registration de novo. . . . Congress provided for *de novo review of TTAB decisions in district court.*” *B&B Hardware*, 135 S.Ct. at 1301, 1310.
Who proceeds under Sec. 21(b)?

• Losing party in the TTAB who wants to introduce additional factual evidence.
• Sec. 21(a) appellee who wants to introduce additional evidence.
Section 21 Appeal or Civil Action: Timing under 37 CFR § 2.145

- File Notice of Appeal or commence civil action within **two months** from TTAB Decision.

- File cross-action or Notice of Cross-Appeal **within 14 calendar days** after service of summons and complain or service of Notice of Appeal.
Nota Bene!

- Filing a Notice of Appeal under Sec. 21(a) *waives* the appellant’s right to a civil action under Sec. 21(b).
- But the adverse party *retains* the right to convert the Sec. 21(a) appeal into a Sec. 21(b) civil action.
Converting Section 21(a) Appeal Into Section 21(b) District Court Action

• After appellant files a Notice of Sec. 21(a) appeal, the adverse party has **20 days** to file with the USPTO a notice electing to proceed in federal district court under Sec. 21(b).

• Upon filing of Sec. 21(b) notice, the appeal is dismissed.

• District court civil action must be filed within **30 days** thereafter.

• Any cross action to that action must be filed within **14 days** of service of summons and complaint.
Section 21(b) District Court Action: Venue

• **Any federal district court** that has personal jurisdiction over the defendant.
• **Eastern District of Virginia** where defendants reside in plurality of districts not within the same state.
• Serving parties who reside in a foreign country: “by publication or otherwise as the court directs.”
• See Sec. 21(b)(4).
Further Information on Section 21 proceedings

- *McCarthy* §§ 21:10-19 (Sec. 21(a) appeals) and §§21:20-25 (Sec. 21(b) district court proceedings).

- TBMP §§ 901-906: procedural details of Section 21 proceedings. But watch out for outdated information!
Beware of shortcomings in TBMP § 901-906

- Predates *Kappos* (2012) and *B&B* (2015): Does not mention *de novo* review for Sec. 21(b) district court proceedings.
“Ordinary” District Court Proceedings Outside the Purview of Section 21(b)

• This is where TTAB issue preclusion potentially applies.

• “A court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met.” *B&B Hardware*, 135 S.Ct. at 1299.
Issues to which preclusion may apply

- Likelihood of Confusion (the issue in *B&B Hardware*).
- Secondary Meaning.
- Inherent Distinctiveness.
- Genericness.
- Abandonment.
- Functionality.
- Dilution.
- Others.
Factors for Issue Preclusion – Restatement

• Restatement (Second) of Judgments:
  - Actually litigated before TTAB;
  - Determined by valid and final judgment;
  - Determination was essential to judgment.

• B&B Hardware, 135 S.Ct. at 1303.
Additional Factors for Issue Preclusion

• Marks at TTAB and in district court must be the same; differences must be “trivial.”
  *B&B Hardware*, 135 S.Ct. at 1308.

• There is no “compelling showing of unfairness.” Examples:
  - TTAB prevented introduction of material evidence.
  - “TTAB’s bar on live testimony materially prejudiced a party’s ability to present its case.”
Issue Preclusion – the Key Factor

• “[I]f the TTAB did not consider the marketplace usage of the parties’ marks, [its] decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.”

*B&B Hardware*, 135 S.Ct. at 1308.
Marketplace Evidence

- The TTAB “typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer’s registration, regardless of whether the actual usage of the marks by either party differs.”
- The TTAB’s “determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages.”
- *B&B Hardware*, 135 S.Ct. at 1307.
Issue Preclusion Factors - Summary

• Actually litigated.
• Determined by valid and final judgment.
• Essential to judgment.
• Marks are substantially the same.
• No compelling showing of unfairness.
• **TTAB considered the relevant marketplace evidence.**
• Evidence submitted but not considered by the TTAB should not contribute to the decision’s issue preclusive effect.
Summary in the Supreme Court’s Own Words

• “So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”

*B&B Hardware, 135 S.Ct. at 1310 (emphasis added).*
The Supreme Court’s Prediction

• Due to the relevance of marketplace evidence, “for a great many registrations issue preclusion obviously will not apply . . . .” *B&B Hardware*, 135 S.Ct. at 1307 (emphasis added).

• “Contested registrations are often decided [before the TTAB] upon a comparison of the marks in the abstract and apart from their marketplace usage. When the registration proceeding is of that character, there will be no preclusion of the likelihood of confusion issue in a later infringement suit. On that understanding, I join the Court’s opinion.” *Id.* at 3010 (Justice Ginsburg, concurring) (emphasis added).
What former TTAB litigant will proceed in district court outside Sec. 21(b)?

- Parties to district court proceedings that run concurrently with TTAB proceeding.
- Prevailing party before TTAB who wants to stop opponent’s market usage.
- Losing party before TTAB who – by choice or otherwise – let the Sec. 21(b) two-month deadline pass (evaluation of marketplace situation; litigation fatigue; cost issues; lack of awareness of deadline).
A prediction

- “[TTAB] decisions on likelihood of confusion should be given preclusive effect on a case-by-case basis.” *B&B Hardware*, 135 S.Ct. at 1306.
- That’s not a recipe for efficient adjudication.
- Issue preclusion will become a hotly contested topic in post-B&B district court litigation outside Sec. 21(b).
Thank you!

Any question?

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