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COUNSEL COMMENTARY

IP: Trademark trial and appeal board vs. district court litigation

8TH CIRCUIT DECISION EVIDENCES THE DISTRICT COURT'S LACK OF DEFERENCE TO TTAB DECISIONS

The U.S. Patent and Trademark Office's (PTO) Trademark Trial and Appeal Board (TTAB) offers the opportunity to prevent registration of a trademark through an opposition proceeding, or to petition to cancel a trademark that has already registered. A recent 8th Circuit decision evidences the district court's lack of deference to TTAB decisions, offering an unsuccessful party in a TTAB proceeding a second chance. *B&B Hardware, Inc. v. Hargis Industries, Inc.*

B&B Hardware began using the mark SEALTIGHT for fasteners in 1990 and registered the mark in 1993. Sealtite Building Fasteners began using the mark SEALTITE in 1992, first applying to register it with the PTO in 1996. Registration was refused based upon likelihood of confusion with B&B's mark.

The parties began litigating their dispute in various district court and TTAB actions in 1997. In 2003, B&B Hardware filed an opposition in the TTAB to prevent the registration of the mark SEALTITE for use with metal screws for use in the manufacture of buildings, as filed by Sealtite Building Fasteners. After litigating before the TTAB for more than four years, the board sustained the opposition and refused to register the SEALTITE mark. B&B succeeded; the TTAB found that SEALTITE's mark would be confusingly similar to B&B's SEALTIGHT mark. The decision, however, was nonprecedential.

During the TTAB proceeding's pendency, B&B filed a federal complaint alleging Sealtite infringed its trademark rights, among other claims. B&B urged the district court to follow the TTAB's decision finding likelihood of confusion. The district court held that, because the TTAB is not an Article III court, the court is not required to follow its decision on likelihood of confusion. Further, the district court denied B&B's attempt to admit the TTAB decision into evidence, finding that it would be confusing and misleading to the jury. The jury found no likelihood of confusion. As a result of certain alleged litigation misconduct, the district court even awarded attorney fees against B&B, the successful party in the TTAB proceeding.

The 8th Circuit affirmed the decision, finding that the same likelihood of confusion issues were not identical to those decided by the TTAB as those brought in the district court. The court distinguished a decision received from the TTAB from a TTAB decision affirmed by the Federal Circuit (which would be issued by an Article III court). The court emphasized that the TTAB only used six of the 13 DuPont factors in its likelihood of confusion analysis and that its analysis did not fully consider the "entire marketplace context" in which the marks are used, as required by the 8th Circuit's likelihood of confusion test.

Judge Colloton, dissenting, disagreed arguing that the TTAB decision finding likelihood of confusion between the two marks should be given preclusive effect. He applied the Supreme Court's guidance that "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." *Univ. Of Tenn. v. Elliott*, 478 U.S. 788, 798 (1986). Even where the exact factors considered for purposes of likelihood of confusion varied modestly, Judge Colloton's dissenting view would still give effect to the earlier decision, citing *Georgia-Pacific Consumer Prods. v. Four-U* (applying issue preclusion based upon 8th Cir. test using different factors to determine likelihood of confusion).

Some courts have applied reasoning similar to Judge Colloton's dissent and give full preclusive effect to the facts decided in the TTAB proceeding. See, e.g., *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, (affirming district court's application of issue preclusion to dismiss trademark infringement complaint). Others follow the same reasoning as the 8th Circuit and give no deference to the TTAB decision. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9 (5th Cir. 1974) (finding that the legislature did not intend to apply collateral estoppels to TTAB decisions). The 2nd Circuit acknowledges that a TTAB proceeding could have preclusive effect where the board has "indeed compared conflicting marks in their entire marketplace context, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppels is appropriate," but finds that the registration proceeding disregards actual usage so should not be followed in the infringement context. *Levy v. Kosher Overseers Ass'n of America, Inc.*

The board also frequently suspends pending proceedings once a related civil action is filed. The ability to derail the TTAB proceeding merely by filing a district court case, along with the possibility that a TTAB proceeding will not finally resolve the issue are factors that should be considered when deciding whether to challenge a potential infringer before the TTAB or in the district court.

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