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New Supreme Court Decision Expected To Influence Trademark Opposition Strategy

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In a ruling that is likely to affect the way parties approach trademark opposition proceedings before the Trademark Trial and Appeal Board (TTAB) of the U.S. Patent and Trademark Office, the United States Supreme Court, on March 24, 2015, ruled 7-2 that a TTAB holding on likelihood of confusion would have a preclusive effect in a district court trademark infringement case involving the same parties. Writing for the majority, Justice Samuel Alito found that "[s]o 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."

In most opposition proceedings, the TTAB decides whether the applicant for a U.S. trademark registration may register its mark over the objection of an opposer claiming prior rights, often based upon the opposer's existing registration. While an opposition proceeding largely utilizes the Federal Rules of Civil Procedure also observed by federal district courts, there are certain procedural differences, including the absence of live witness testimony at the opposition hearing. TTAB opposition proceedings are frequently pursued as a more streamlined alternative to federal trademark infringement litigation. The effect of the ruling may be profound, as parties may devote additional resources to opposition proceedings or forego opposition altogether in favor of federal litigation.

The parties to the case – B&B Hardware, Inc. and Hargis Industries, Inc. – both make metal fasteners, but for use in different industries. B&B owns a federal trademark registration for 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." B&B used this registration as the basis to oppose Hargis' application to register SEALTITE for "self-piercing and self-drilling metal screws for use in the manufacture of metal and post-frame buildings." After successfully blocking Hargis' application before the TTAB, B&B sought a decision in federal district court that Hargis was precluded from arguing against a likelihood of confusion before the district court.

The Supreme Court's decision reversed and remanded the holding of the Eight Circuit Court of Appeals. The Supreme Court adopted the standard for issue preclusion of the Restatement (Second) of Judgments: "[W]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." The court found that the issue of likelihood of confusion for purposes of determining the registrability of a mark before the TTAB was the same issue as likelihood of confusion for purposes of federal trademark infringement litigation. The court found that "[i]f 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 issue as a district court in infringement."

This leaves open the question of what issues are materially the same. For example, the court found that neither "trivial variations between the usages set out in an application and the use of the mark in the marketplace" nor "trivial variations" in the marks themselves would constitute materially different usages, but did not indicate what types of variations would be material.

In a brief concurrence, Justice Ruth Bader Ginsburg noted that her agreement with the majority was based upon the majority's recognition that "for a great many registration decisions issue preclusion obviously will not apply." "That is so," she continued, quoting McCarthy on Trademarks and Unfair Competition, "because contested registrations are often decided upon 'a comparison of the marks in the abstract and apart from their marketplace usage.'"

The decision appears to be limited to oppositions to applications claiming a current use in U.S. commerce, rather than applications based upon intent to use or a treaty allowing for extension of foreign registration rights without use in the United States.

Justice Clarence Thomas, joined by Justice Antonin Scalia, dissented, opining that the statutory authority of the TTAB is limited to deciding whether a mark should be registered and does not provide the TTAB broader authority regarding questions of infringement. Justice Thomas also wrote that the TTAB and other administrative bodies are arms of the executive branch whose decisions should not have a preclusive effect on federal courts within the judiciary branch with authority arising from Article III of the U.S. Constitution.

While the full impact of the Court's decision is unclear and will likely come down to nuances in individual cases, this decision is anticipated to mark a turning point in the strategies of parties considering opposition.

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