KILPATRICK TOWNSEND

ATTORNEYS AT LAW

B&B Hardware, Inc. v. Hargis Indus., Inc., 575 U.S. ___ (2015)

The Supreme Court recently had occasion to determine whether Trademark Trial and Appeal Board decisions can have preclusive effect in federal district court proceedings in *B&B Hardware, Inc. v. Hargis Industries, Inc.*

The saga begins with B&B Hardware, Inc. and Hargis Industries, Inc., two metal fastener manufacturers who have been involved in an ongoing dispute over their trademarks SEALTIGHT and SEALTITE for nearly two decades. Most recently, Hargis Industries attempted to register its mark SEALTITE with the United States Patent and Trademark Office (USPTO). B&B opposed the registration because of the proposed mark's similarity to B&B's own SEALTIGHT mark. The Trademark Trial and Appeal Board (TTAB) determined that Hargis's SEALTITE mark was likely to cause confusion with B&B's SEALTIGHT mark and refused registration. Hargis did not seek judicial review of this decision in the Federal Circuit or a federal district court.

Meanwhile, B&B and Hargis Industries were involved in a trademark infringement suit regarding the same marks before a federal district court. B&B argued that the TTAB's decision should have preclusive effect in the district court proceeding such that Hargis should not be able to argue that use of its mark would not be likely to cause confusion. The district court disagreed because the TTAB is not an Article III court. This time, Hargis won when the jury found no likelihood of confusion.

B&B appealed to the Eighth Circuit, which affirmed. The Eighth Circuit based its decision on three factors: (1) the TTAB evaluates likelihood of confusion using different factors than the Eighth Circuit; (2) the TTAB placed too much emphasis on the appearance and sound of the two marks; and (3) the burdens of persuasion were on different parties before the TTAB (Hargis Industries) and the district court (B&B).

In a 7-2 opinion, the Supreme Court reversed. The Court held that decisions from the TTAB can have issue preclusive effect in federal district court proceedings when the elements for issue preclusion are met and when the issues considered by the TTAB and the district court are materially the same. Beginning with the assertion that an agency decision can ground issue preclusion, the Court rejected Hargis's constitutional arguments for why TTAB decisions should not be given issue preclusive effect. The Court's precedent on the subject explains that "absent a contrary indication, Congress presumptively intends that an agency's determination . . . has preclusive effect," from which the Court reasoned that "there is no ambiguity for this Court to sidestep through constitutional avoidance." The Court then walked through the Lanham Act's text and structure, concluding that neither "forbid issue preclusion." Finally, the Court explained that there is no categorical reason why a TTAB decision can never meet the elements of issue preclusion, rejecting a number of arguments set forth by Hargis Industries. The Court found that, contrary to Hargis Industries' assertion, the likelihood of confusion standard for registration is the same as that for infringement, as the operative language of each statute is the same. Also, the Court found that different procedures used in each tribunal only suggest that issue preclusion may not always be appropriate, not that it is never appropriate, as Hargis

Industries argued. Moreover, the Court rejected Hargis Industries' argument that the stakes for registration are always too low for issue preclusion, reasoning that when registration is opposed, both sides take the matter seriously.

Consequently, the Court reversed the Eighth Circuit's judgment and remanded the case.

###