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2 Supreme Court Cases May Rethink Trademark Law

From the Experts

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Last week the U.S. Supreme Court reviewed two cases addressing how courts determine trademark infringement—both with implications for how the issue of consumer perception impacts the ability of companies to protect and enforce their trademarks. Oral arguments suggested that the rulings will significantly increase the importance (and cost) of administrative registration proceedings at the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board (TTAB).

In the more significant of the two cases, *B&B Hardware v. Hargis Industries*, the Court will have the opportunity to resolve a circuit split concerning the preclusive effect of "likelihood of confusion" determinations by the TTAB in a subsequent trademark infringement suit. The second case, *Hana Financial v. Hana Bank*, concerns the narrow and rare issue of a trademark owner's right to "tack" the priority of an older trademark onto a newer mark, with the Court to resolve whether it should be up to a jury or a judge to evaluate if the newer mark creates the same "commercial impression" to consumers so as to justify tacking.

The TTAB decision argued on December 2 in *B&B Hardware* involves a trademark battle waged for over 15 years between B&B, which makes a fastener product for the aerospace industry under the name "Sealtight," and Hargis, which manufactures screws for the construction industry under the similar but not identical "Sealtite" mark. When reviewing Hargis's application to register "Sealtite," the TTAB conducted its likelihood of confusion analysis and denied it, finding that the applied-for "Sealtite" mark was likely to be confused with B&B's registered "Sealtight" trademark.

When Hargis continued to use the mark, B&B sued for trademark infringement, maintaining that the district court should give preclusive effect to the TTAB's finding on likelihood of confusion between the marks. The court declined to find preclusion and the jury,

ignorant of the prior TTAB decision, returned a verdict in favor of Hargis, finding no likelihood of confusion. The U.S. Court of Appeals for the Eighth Circuit affirmed.

Most federal circuit courts have been expressly dismissive of TTAB findings and have regarded them as both nonpreclusive and inadmissible. The U.S. Court of Appeals for the Second Circuit, on the other hand, has adopted a more balanced, fact-specific approach.

Stepping into this fray, the Supreme Court appeared poised to shake things up by ruling that preclusion should attach when TTAB's likelihood of confusion ruling is based on consideration of the same use at issue in the later infringement suit. By the same logic, if the TTAB did not examine the same usage and does not satisfy collateral estoppel principles, there generally should be no reason to give the ruling any deference at all.

Hargis and several amici urged caution in treating the TTAB's analysis as equivalent to the "fact-intensive" likelihood of confusion evaluation conducted in a civil trial. They also noted the significant differences in the way parties approach TTAB proceedings and infringement suits. Because, among other things, the TTAB only determines registrability and cannot award monetary damages or injunctive relief, parties typically invest much less in TTAB proceedings than in infringement suits. At argument, some justices expressed concerns about attaching preclusion to the earlier administrative proceeding because of procedural differences between TTAB hearings and civil suits—such as the lack of live testimony and a jury option.

If the Court bestows preclusive effect on TTAB findings, companies will have to alter their strategies in applying for and litigating over trademark registrations. Companies may be able to get more bang for their buck in TTAB proceedings by litigating them with preclusion in mind, developing an appropriate record to support a finding that the same evidence of use was considered in the registration proceeding. Other companies may try to frustrate that strategy by adjusting their trademark applications to avoid turning the TTAB into a forum where a competitor can both prevent registration and significantly increase the risk of loss in a future infringement suit.

Another option to avoid preclusion from the TTAB, ironically, is to force the board to defer to a district court. This may be attractive to those companies that find that the TTAB lacks the efficiency, procedural safeguards and speed of most federal district courts. The TTAB suspends proceedings if the same mark becomes at issue in an infringement lawsuit. Thus, if either party to a TTAB proceeding sues in federal court, the court's determination of likelihood of confusion will determine both infringement and registration.

Finally on the issue of tacking in *Hana*, on December 3 the Supreme Court seemed nonplussed by the argument, leaving one to wonder whether cert was granted improvidently. In any event, it appeared likely that the lower court decision will be affirmed, with the justices ruling that the jury should determine whether the revised mark and earlier mark share the same commercial impression and, thus, tacking should be allowed.

Underlying such a decision would be a determination that the issue of "commercial impression" is an issue of fact, not law. That finding could have impact beyond this discrete issue, reinforcing the applicability of preclusion on such consumer perception determinations, and signaling to the few outlier circuits that the key infringement issue of likelihood of confusion likewise should be considered an issue of fact, not law.

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