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# SCOTUS Case Could Raise Stakes For Trademark Office Proceedings

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In December, the U.S. Supreme Court heard oral arguments in *B&B Hardware v. Hargis Industries*, a highly anticipated trademark case that could have wide-reaching effects for trademark owners and practitioners alike.

The case has engendered a healthy debate among trademark owners and their counsel. Much of that has centered on whether trademark applicants and owners can, or should, treat Trademark Trial and Appeal Board (TTAB) proceedings as simple administrative matters, warranting only the expenditure of limited time, effort and expense, or whether they are, or should be treated as, matters of equal weight and importance as federal trademark infringement litigation.

Some, especially those that have been involved in aggressively-litigated inter partes proceedings before the TTAB, adopt the latter view, contending that such proceedings can be as time-consuming and costly as federal trademark infringement litigation, and should be treated commensurately. Others contend that TTAB proceedings are, by design, intended to be simple and efficient—"trademark light," if you will—involving only issues of registration, and not injunctive relief or damages, so TTAB proceedings should not have effect beyond issues of registration.

In *B&B Hardware*, the Supreme Court will reconcile these two viewpoints by adopting one or the other, or more likely, establishing a rule incorporating elements of both.

## A Long and Winding Road

One question presented to the court asked whether a finding of likelihood of confusion by the Trademark Trial and Appeal Board in an opposition proceeding precluded the unsuccessful trademark applicant from re-litigating that issue in subsequent trademark infringement litigation. Another question posed asked whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB's finding of a likelihood of confusion.

A brief history of the case will be helpful to better understand the issues before the court. The parties to the case have been engaged in battle over these marks for nearly 20 years. In 1993, B&B Hardware was granted registration of its mark "SEALTIGHT" for metal fasteners and related hardware by the U.S. Patent and Trademark Office. In 1996, Hargis applied to register the mark

"SEALTITE" for its line of fasteners. In 1998, B&B filed an infringement action against Hargis, while Hargis' trademark application was pending, and the jury found that B&B Hardware's mark was merely descriptive. See *B&B Hardware, Inc. v. Hargis Industries Inc.*, 252 F.3d 1010 (8th Cir. 2001).

Then, Hargis sought to cancel B&B Hardware's trademark registration based on the jury verdict, but the TTAB found Hargis had failed to raise the descriptiveness argument in a timely manner and rejected Hargis' cancellation challenge. Prior to the TTAB's rejection of Hargis' challenge, the USPTO published Hargis' trademark for opposition and B&B Hardware timely opposed the registration in 2003.

The opposition centered on the claim that Hargis' SEALTITE mark was confusingly similar to B&B Hardware's existing SEALTIGHT registration. Specifically, B&B Hardware alleged Hargis' mark SEALTITE, as used in connection with its fasteners, so resembled the SEALTIGHT mark it would likely cause confusion.

Both parties presented evidence to the TTAB on the likelihood of confusion issue. After weighing all the evidence presented by the parties, the TTAB refused Hargis' registration of the SEALTITE mark on the grounds that its mark as used in connection with its fasteners so resembled B&B Hardware's SEALTIGHT mark it was indeed likely to cause confusion.

B&B Hardware then initiated a second trademark infringement action against Hargis, but that was dismissed based on the jury's findings in the prior trial. The U.S. Court of Appeals for the Eighth Circuit reversed the dismissal on the grounds the prior jury had not decided the "likelihood of confusion" issue. B&B Hardware moved for summary judgment on the basis of issue preclusion based on the TTAB's ruling. The district court denied the request for summary judgment. The district court also instructed the jury to ignore the TTAB ruling. The Eighth Circuit affirmed the district court's rulings and found that issue preclusion does not apply as the standard for likelihood of confusion used by the TTAB was different than the standard used by the district court. The U.S. Supreme Court granted cert.

## **A Matter of Opinion**

The opposing viewpoints described at the outset became the fulcrum of the oral arguments presented to the Supreme Court on Dec. 2. Indeed, many of the questions from the justices centered on whether TTAB proceedings were sufficiently "similar" to trademark infringement litigation in federal district court to warrant issue preclusion.

There was extensive discussion about whether the TTAB should consider marketplace use of a mark in deciding issues of likelihood of confusion—as it did in the *B&B Hardware* case—and if so, whether that inquiry is sufficiently similar to the likelihood of confusion tests in federal court infringement litigation.

As to efficiency, some justices noted that administrative proceedings were expected to be as expeditious as possible. Other justices, however, questioned whether proceedings before the TTAB should be lumped into that category, given that any unsuccessful party before the TTAB had the right to appeal the TTAB's decision to a district court or the Federal Circuit for de novo review. Such a right would hardly, of necessity, guarantee trademark disputes before the TTAB are resolved expeditiously. To the contrary, as noted above, some inter partes proceedings before the TTAB, especially if they are subsequently appealed to a district court or the Federal Circuit, might take longer to conclude and ultimately cost more than trademark infringement matters first initiated in

the federal district courts.

The outcome of the Supreme Court's decision could have a significant effect on the way TTAB proceedings are litigated, as well as the relative importance parties place on such proceedings. If TTAB decisions are ultimately held to have a preclusive effect in subsequent trademark infringement litigation, then gone are the days when parties will treat these proceedings as inconsequential administrative decisions, only affecting a party's right to registration, not use. Indeed, while economy and efficiency are worthy objectives, they are not likely to carry great weight in the court's ultimate analysis. An otherwise infringing mark should not be registered simply because it was more "economical and efficient" to mount a weak opposition to its registration.

Whatever the outcome, inter partes proceedings before the TTAB are not likely to be treated the same after *B&B Hardware*. Trademark owners and applicants should anticipate the potential of TTAB decisions having some preclusive effect in subsequent trademark litigation and should conduct their TTAB proceedings accordingly.

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