

With High Court TM Ruling, Big Changes In Store At TTAB

By **Bill Donahue**

Law360, New York (March 24, 2015, 9:47 PM ET) -- After the U.S. Supreme Court's ruling Tuesday giving certain Trademark Trial and Appeal Board determinations preclusive effect, the role the board's proceedings occupy in the world of trademark law is suddenly different — more powerful, more uncertain and almost certainly more expensive.

Filing cases at the board has long been seen as a lower-stakes game of poker than federal litigation — a more informal venue that deals solely with whether a trademark is too similar to be registered, rather than the more heavy-duty issue of whether use in the real world amounts to infringement.

It's traditionally been far cheaper to bring TTAB oppositions than it is to sue, and big companies do so without much hesitation — hundreds are filed each month. It's also been a good place to test the waters, because infringement lawsuits could simply be filed later if the beefier remedies of the federal court system proved necessary.

That dynamic changed on Tuesday.

Weighing in on an 18-year-old trademark dispute between B&B Hardware Inc. and Hargis Industries Inc., **the high court ruled** that TTAB rulings that consumers are "likely to be confused" could later be binding on a federal court considering the same issue.

The justices said that as long as the "usages adjudicated by the TTAB are materially the same as those before a district court," a federal court could be bound to the finding of the tribunal. Those circumstances won't always occur, the high court said, but that doesn't mean they can't.

In other words, a ruling at the TTAB is no longer just dealing with a piece of paper; it could effectively be a powerful, binding ruling that could bar real-world use.

"In the past, TTAB's role has been fairly confined to one involving registration," said Danny M. Awdeh, a partner at Finnegan Henderson Farabow Garrett & Dunner LLP.

"Now you're going to have to look at it from a broader perspective, because what happens at the board might ultimately determine a later infringement case in federal court," Awdeh said. "What happens at the board isn't necessarily going to stay at the board."

Of course, it's also important to note upfront what the justices didn't say on Tuesday: that all TTAB rulings should be given preclusive effect. Far from it, actually.

Instead, the opinion said TTAB rulings would only be binding on later courts if both bodies are weighing similar things. Justice Samuel Alito, writing for the seven-justice majority, conceded that

in "a great many [TTAB] decisions issue preclusion obviously will not apply."

For instance, if the TTAB "does not consider the marketplace usage of the parties' marks, the TTAB's decision should have no later preclusive effect in a [federal court] suit where actual usage in the marketplace is the paramount issue," the opinion said.

But that's not exactly a bright-line rule. How do parties know, at the time, whether or not the TTAB is weighing enough "marketplace" usage to qualify for preclusion in a future case? Will the board explicitly say so in an opinion?

The resounding answer from attorneys was that they simply don't know — and that many parties aren't going to gamble with something they don't know.

Instead, knowing there's a possibility that a court will later find the board's determination to be permanently binding, many litigants will likely intensify how they handle cases at that venue. That means more motion practice, more evidence in the record, more request for oral arguments, and so on.

"This definitely raises the stakes for TTAB proceedings," said Jedediah Wakefield, the chair of the trademark group at Fenwick & West LLP. "It doesn't say there's always going to be preclusive effect, but it certainly creates more of a question as to whether there will be, so it increases the pressure on parties to fight more aggressively at TTAB."

And BigLaw trademark attorneys agreed on what that'll probably mean for the formerly discount trademark venue.

"If a litigant faces the possibility it will be precluded from contesting confusion in the future, litigants will be forced to wage an all-out assault in the TTAB, and this will in turn ultimately raise the cost of litigating in the TTAB," said Debra Deardourff Faulk of GrayRobinson PA. "Litigating in the TTAB just got real, real expensive."

The increase in litigation is unlikely to stop at the TTAB itself, either. Knowing that a loss at the board could be preclusive, parties might be far more likely to file de novo reviews in district court. That would allow them to relitigate issue of confusion with new evidence, and also to bring infringement claims.

Or, alternatively, parties might shy away from the TTAB entirely, taking cases directly to federal court. If TTAB cases are going to be more expensive and could result in a binding ruling, it makes less sense to use a venue that lacks injunctive relief for real-world use, or the ability to award damages.

"This decision really turns the system on its head," said Brendan J. O'Rourke, the head of Proskauer Rose LLP's trademark group. "I think practitioners are going to have to be very careful before they file these trademark office proceedings. If you lose on likelihood of confusion, it's far more important than it was before."

No matter what the exact fallout from Tuesday's ruling — more expenses at the TTAB, more appeals, a big drop in use of the venue — changes are almost certainly coming to the old way of doing things at the Trademark Trial and Appeal Board.

"Anybody who is involved in TTAB proceedings is going to view them differently today than they did yesterday," said Roger N. Behle Jr., the Foley Bezek Behle & Curtis LLP attorney who represented B&B Hardware at the TTAB and the district court before the case made its way to the Supreme Court.

"I think you'll see people proceeding more carefully at TTAB than they did before, because there's the consequence, if you just let this slide by, that your decision could follow you around later,"

Behle said.

--Editing by Jeremy Barker and Brian Baresch.

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