IP Law Daily Wrap Up, STRATEGIC PERSPECTIVES: TTAB results not a guarantee of district court performance, (Mar. 27, 2015)

By Bryan K. Wheelock, Principal, Harness Dickey

This week's big story in the world of trademarks is that in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, the Supreme Court held that issue preclusion *should* apply to TTAB adjudications on the issue of likelihood of confusion. The bigger story, however, is that issue preclusion only applies "where other ordinary elements of issue preclusion are met" and where "the usages adjudicated by the TTAB are materially the same." With these provisos, the Supreme Court's decision amounts to no more than the banal statement that issue preclusion applies if issue preclusion should apply.

If the same parties are fighting over the same marks, one might wonder when wouldn't issue preclusion apply. However, the TTAB's evaluation of likelihood of confusion is based only upon the records of the USPTO, and not the real world. Specifically, the TTAB decides the case based upon how the mark appears in the application or registration at issue. Considerations of stylized presentation, use of house marks, and disclaimers generally do not factor in to the TTAB's decision. Similarly, differences in to whom the goods or services are sold, how the goods or services are sold, or where the goods or services are sold generally are not considered unless reflected somehow in the descriptions before the TTAB. Thus, while the TTAB applies the *duPont* factors (*In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)), which are generally similar to the multifactor tests applied by the district courts, the TTAB's application of these factors is constrained to what is before the USPTO, not what is actually going on in the marketplace.

How will *B&B Hardware* affect trademark opposition/cancellation practice? It is doubtful that a party would deliberately "take a dive" in an opposition or cancellation proceeding, counting on a fresh start when the case makes it to district court. After all, the costs are not insignificant (according to the AIPLA's 2013 Economic Survey the median cost of an opposition through discovery is $50,000, and the median total cost is $80,000). However, there is a sense that Opposition or Cancellation Proceedings are litigation light—described by some as "mini lawsuits" in the USPTO. There is no doubt that litigation in a federal court is a big deal (according to the AIPLA's 2013 Economic Survey, the median cost through discovery of even a "small" trademark lawsuit is $150,000, and the total cost $300,000). Given the fact that the results of an opposition or cancellation proceeding are now more likely to have an effect on future litigation, it is likely that parties to these proceedings will be inclined to ratchet things up a notch, perhaps spending a bit more time on discovery, or relying more on oral testimony and less on declarations and documents.

It is at least as likely that parties to an opposition or cancellation will actually pay more attention to the TTAB's decision. If there is an increased chance that these results could be binding in subsequent litigation, a losing party is more likely to abide by the results and move on. The possibility of getting a different result from a district court may have unduly encouraged a losing junior user to continue using a mark that the TTAB determined created a likelihood of confusion. While this possibility still exists, it has been attenuated by the Supreme Court's indication that such TTAB determinations can be binding. This change, together with the ever present risk that continued use after an adverse determination of likelihood of confusion will be found to be an indicator of willfulness, should increase the chances that a losing junior user will select another mark.

How will *B&B Hardware* affect trademark litigation? In those cases where there has been a previous TTAB determination, the prevailing party will obviously want to assert issue preclusion by explaining to the district court how the "ordinary elements of issue preclusion are met" and how the "the usages adjudicated by the TTAB are materially the same." Naturally, the losing party will have a different take on the preclusive effect of the TTAB proceeding, and particularly whether the usages are "materially the same."

While this extra step is likely to add cost and time to a law suit where it is brought up, in those cases where preclusion is found, there is likely a substantial savings of time and effort. It should be a much simpler matter for

the court to decide whether the usages are materially the same, than to decide whether there is infringement under one of the multifactor tests promulgated by the various Circuit Courts of Appeals. The Supreme Court's opening of the possibility of issue preclusion from TTAB decisions should greatly simplify those cases where issue preclusion is applicable, without unduly burdening cases where it is not.

Conclusion. Issue preclusion applies where it should, and doesn't apply when it shouldn't. Like stock brokers, we are still left to advise our clients: TTAB results are not a guarantee of district court performance.

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