

THE STATE OF TRADEMARK LAW FOLLOWING *B&B HARDWARE, INC. V. HARGIS INDUSTRIES, INC.*: NOT AS GROUNDBREAKING AS IT MAY APPEAR

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I. INTRODUCTION

In 2015, the Supreme Court decided *B&B Hardware, Inc. v. Hargis Industries, Inc.*¹ In *B&B Hardware*, the Court held that “[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”²

The holding appeared to place more importance on disputes within the Trademark Trial and Appeal Board (TTAB), which have been traditionally viewed as having lesser stakes than infringement suits in district court.³ This Note will first give a brief background on the development of trademark law in the United States, and then explain the

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1. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

2. *Id.* at 1310.

3. See *infra* Part II.E., F.

differences between proceedings in the TTAB and infringement suits heard in federal court.⁴ It will also explain the case of *B&B Hardware*, particularly the holding and its limitations.⁵ Next, this Note will analyze the effect of this holding on the current state of trademark litigation within the TTAB and federal infringement suits.⁶ Finally, this Note will conclude that even after the holding in *B&B Hardware*, preclusive effect is rarely given to TTAB decisions in the context of federal infringement suits.⁷

As recognized in Justice Ginsburg's concurring opinion in *B&B Hardware*, preclusive effect is not given to TTAB determinations in the majority of federal infringement suits.⁸ Due to the differences in how the TTAB and district courts consider usage of the mark in making the likelihood of confusion determination, preclusive effect will likely not be given to TTAB proceedings.⁹ Similarly, because of these differences in application of the likelihood of confusion determination, the first factor necessary for issue preclusion will not be met.¹⁰ Also, because of evidentiary and procedural disparities between the TTAB and district court proceedings, it is likely that the third factor necessary for issue preclusion will not be met either.¹¹ Due to these different factors, the holding in *B&B Hardware* will not have a large impact on the current state of trademark litigation in either the TTAB or the federal courts.¹²

II. BACKGROUND

A. What Is a Trademark?

The branding of articles and goods has a history that stretches back as early as the ages of the Roman Empire where FORTIS brand clay lamps were manufactured, distributed, and even counterfeited.¹³ The development of trademarks in the era of handmade goods primarily

4. See *infra* Part II.

5. See *infra* Part II.F.

6. See *infra* Part III.

7. See *infra* Part IV.

8. *B&B Hardware v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (Ginsburg, J., dissenting).

9. See *infra* Part III.A.

10. See *infra* Part III.B.

11. See *infra* Part III.C.

12. See *infra* Part IV.

13. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:1 (4th ed. 2016). The clay lamps were mass-produced in what is now modern-day Modena, Italy and sold throughout the Roman Empire. *Id.* FORTIS lamps were considered top of the line and so sought after that the brand name was copied and merchandise was counterfeited. *Id.* at fn. 2.30

served to identify the maker for the purposes of tracing poor workmanship.¹⁴ Trademarks began that way in the United States when Thomas Jefferson, then Secretary of State, commented that it would “contribute to fidelity in the execution of manufacturers, to secure to every manufactory, an exclusive right to mark its wares.”¹⁵ Today, trademarks serve two important economic functions: they encourage manufacturers to maintain the quality of their products and they promote efficiency for the consumer in making purchasing decisions.¹⁶

According to the United States Patent and Trademark Office (USPTO), “a trademark is generally a word, phrase, symbol, or design, or a combination thereof, that identifies and distinguishes the source of the goods of one party from those of others.”¹⁷ Trademarks differ from patents; which protect “functional features of processes, machines, manufactured items or compositions of matter,” and copyrights; which protect “works fixed in a tangible medium of expression. e.g., literary, musical, pictorial and motion picture works.”¹⁸ Trademarks may also extend protection to visual characteristics of a product, in the form of trade dress.¹⁹ However, trade dress protection may not apply to functional aspects of a product because that would be stepping into territory left to patent law.²⁰

While many words, phrases, symbols, designs, or devices capable of distinguishing a source for goods may be used as a trademark, there are

14. In contrast to what is considered the main purpose of trademarks today, the prevention of consumer confusion. *Id.*

15. *Id.* This was said in response to sail-cloth makers pleading with Jefferson for the right to exclusive use of their trademarks. *Id.*

16. *See id.* § 2:3. The first function is served, because through identifying the source of goods or services, the manufacturer or service provider can be held accountable for the quality of the product. The second function is served because the trademark assists the consumer in identifying goods and services that meet their individual expectations and thus reduces their level of confusion. *Id.*

17. *Basic Facts About Trademarks*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/sites/default/files/documents/BasicFacts.pdf> (last visited Nov. 2, 2016).

18. MCCARTHY, *supra* note 13, § 6:6. The USPTO provides the following example: “if you invent a new kind of vacuum cleaner, you would apply for a patent to protect the invention itself. You would apply to register a trademark to protect the brand name of the vacuum cleaner. And you might register a copyright for the TV commercial that you use to market the product.” *Basic Facts About Trademarks*, *supra* note 17, at 2.

19. Irene Kosturakis, *Intellectual Property* 101, 46 TEX. J. BUS. L. 37, 51–52 (2014).

20. *Id.* at 52. This is partially because patent protection is only temporary with the time period varying dependent on the type of patent. *Id.* at 43. Trademark protection is potentially never-ending if the mark is continually used, therefore applying trademark protection to functional aspects of trade dress would be like providing a patent with no term limit. *Id.* at 54.

some limitations.²¹ These restrictions include the functionality restriction, but also the limitations placed on registration in 15 U.S.C.A. § 1052, one of which is the registration of disparaging marks.²² However, the government's prohibition on the registration of disparaging marks has recently come under fire in terms of its constitutionality.²³

Trademarks must also meet the requirement of being distinctive, and not merely descriptive or generic.²⁴ Distinctive marks are those that bear little or no relation to the actual product or service.²⁵ These marks are most effective because the consuming public will relate the mark to the source of the good or service as opposed to simply the good or service itself.²⁶ A descriptive mark is one that merely describes the goods or services to which it is assigned, e.g., "Homemakers" for housekeeping services.²⁷ These descriptive marks typically cannot become protected trademarks unless they acquire "distinctiveness" or "secondary meaning" by becoming famous to the consuming public.²⁸ A generic mark is one

21. *Trademark*, CORNELL UNIVERSITY LAW SCHOOL, <https://www.law.cornell.edu/wex/trademark> (last visited Nov. 2, 2016).

22. *Id.*; 15 U.S.C.A. § 1052 (West 2016). These limitations include refusal to register immoral, deceptive, or scandalous trademarks, those that disparage the flag, those that compromise images of living individuals without consent, those that will cause confusion because of a trademark already in use, those that are merely descriptive, and those that will cause dilution, among other things. *Id.*

23. *See In Re Tam*, 808 F.3d 1321 (Fed. Cir. 2015) where the Federal Circuit Court found that the disparagement provision of 15 U.S.C.A. § 1052(a) is unconstitutional as violative of the First Amendment. *Id.* at 1357. The Supreme Court granted certiorari to decide the issue shortly after. *See Lee v. Tam*, 137 S. Ct. 30 (2016).

24. *Trademark Basics: A Guide for Business*, INTERNATIONAL TRADEMARK ASSOCIATION, available at http://www.inta.org/Media/Documents/2012_TMBasicsBusiness.pdf (last visited Nov. 2, 2016).

25. *Id.*

26. *Id.* Trademarks can be categorized into four different levels of distinctiveness. *Id.* At the bottom of the scale is the previously mentioned descriptive marks (only acquiring distinctiveness when they acquire secondary meaning), these include laudatory words (GOLD MEDAL for flour and BLUE RIBBON for beer), geographically descriptive terms (CANADIAN for beer), and surnames (FORD for automobiles). *Id.* More descriptive are suggestive marks, these suggest some attribute or benefit of the goods or service (AIRBUS for airplanes, VOLKSWAGEN for automobiles). *Id.* Even more descriptive are arbitrary marks which include words that may have a common meaning but not related to the goods or services to which they are associated (APPLE for computers and SAMSUNG for televisions). *Id.* At the highest level of distinctiveness are fanciful marks, words that are made up and have no meaning whatsoever other than as a brand name (XEROX for copiers and EXXON for petroleum products). *Id.* Fanciful marks are typically given the broadest scope of protection. *Id.*

27. *Id.*

28. *Id.*

that simply defines the product or service, and can never become protected as a trademark, e.g., "Computer" brand computers.²⁹

B. U.S. Trademark History

1. Pre-Lanham Trademark Act

Trademark protection in nineteenth-century British law developed under the common law tort of fraud and deceit.³⁰ Courts of chancery would issue injunctions restricted to protecting property rights, so plaintiffs would argue that their property (the trademark) was stolen when used by another without permission.³¹ This process of infringement would damage the plaintiff's trademark because the defendant's use of the mark would divert customers to the defendant rather than the plaintiff.³² Courts often used the phrases "passing off" or "palming off" to describe this process.³³ American courts initially largely adopted this same system, but then began to shift the focus of trademark law away from punishing the fraudulent or deceitful nature of defendants toward protection against consumer confusion.³⁴

In 1870 the first federal act establishing a process of trademark registration was passed, and subsequently declared unconstitutional by the United States Supreme Court nine years later in the *Trademark Cases*.³⁵ The Court held that Congress's power to regulate trademarks was limited because unlike for patents and copyrights, there is no wording in the Constitution directly giving Congress authority in this area.³⁶ This holding stands today and limits the authority of Congress to

29. *Id.*

30. MCCARTHY, *supra* note 13, § 5:2. This early system of trademark and infringement law was complicated by the split structure of the equity and chancery courts. *Id.*

31. *Id.*

32. *Id.*

33. *Id.*

34. *Id.* By the early twentieth century, this shift had largely taken place and the element of fraudulent intent was no longer required. *Id.* The focus was then placed upon consumer confusion and the buyer's state of mind as opposed to that of the defendant. *Id.*

35. *See id.* § 5:3; *see also* *In re Trade-Mark Cases*, 100 U.S. 82 (1879).

36. MCCARTHY, *supra* note 13, § 5:3. The patent and copyright clause of the Constitution gives congress the power "to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." *Id.*; U.S. CONST. art. 1, § 8, cl. 8. The Supreme Court reasoned that trademark had "no necessary relation to invention or discovery" and therefore was not afforded protection under the same clause. *In re Trade-Mark Cases*, 100 U.S. at 94.

register trademarks as an exercise of the Commerce Power.³⁷ A much more limited act was passed by Congress in 1881 that was largely ineffective.³⁸

2. *Lanham Trademark Act*

In 1905, the Trademark Act passed. Although it was a slight improvement upon the first federal act, it would need amending in 1920 and would still be considered inadequate by today's standards.³⁹ The problems with the 1905 Trademark Act led to a strong push for improved statutes.⁴⁰ At first, the state legislatures attempted this, which proved more harmful than beneficial. This because many of these statutes required state registration as a condition of trademark ownership and provided that the marks would fall into the public domain if not registered within six months of the enacted state statute.⁴¹ These registration requirements applied to all marks used within the state with no regard to where the goods were actually manufactured.⁴² The clear problems with this strict regulation led to an increased effort towards developing a new federal act.⁴³ On July 5, 1946, eight years after the Lanham Trademark Act was introduced to the Senate, it was enacted.⁴⁴ The Lanham Act has been amended on numerous occasions since its

37. MCCARTHY, *supra* note 13, § 5:3.

38. *Id.* The act only allowed for registration of trademarks used in commerce with foreign nations and the Indian tribes, but failed to allow for registration of marks used in interstate commerce. *Id.*

39. *Id.* The 1905 Act only allowed for registration of marks that fell into the categories of fanciful or arbitrary. *Id.*; see also *Basic Facts About Trademarks*, *supra* note 17. This failed to protect descriptive marks with secondary meaning, geographical terms and surnames. MCCARTHY, *supra* note 13, § 5:3. The Act also put in place a confusing "10-year clause" allowing for the registration of a mark in actual and exclusive use for ten years prior to its inaction. *Id.* The additional amendments under the 1920 Act were still inadequate as they did not require a trademark registrant to do anything to maintain registration (unused marks could go on protected perpetually). *Id.*

40. See *id.* § 5:4.

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.* The Lanham Act was a product of Edward S. Rogers, a member of the ABA committee appointed to investigate a revision of the Federal Trademark Act of 1905, and Congressman Fritz Garland Lanham, chairman of the House Patent Committee dealing with trademarks. *Id.* The original legislation was introduced as H.R. 9041 in 1938. *Id.* The bill came under attack as monopolistic and protecting of big business among other things. *Id.* Eventually a compromise was made and the need for departure from the old Acts gave way to the enactment of the Lanham Act in 1946. *Id.*

enactment and remains the body of federal law that governs trademark use in the United States.⁴⁵

C. Acquisition of Trademark Rights

1. Common Law Rights

In the United States and other countries based on the English common law, the simplest way to acquire trademark rights in a mark (assuming the mark is fit to be a trademark) is by being the first to use the mark associated with your goods or services in commerce.⁴⁶ “The basic rule of trademark ownership in the United States is priority of use.”⁴⁷ The first entity to use the mark or symbol to identify their goods or services and distinguish them from others will obtain the common law rights to use that symbol.⁴⁸ However, the protection afforded by common law trademark rights is limited to the geographic area in which that trademark is actually used.⁴⁹ This makes common law rights geographically inferior to the additional rights granted through registration.⁵⁰ It is important to remember, however, that even an unregistered mark can be more powerful than a registered mark within its geographic region if the common law mark was used first.⁵¹

45. 15 U.S.C.A. § 1127 (West 2016).

46. *Trademark Basics: A Guide for Business*, *supra* note 24. A significant number of countries that do not recognize common law trademark rights use a registration system in which the first registrant of a mark acquires exclusive rights. *Id.* For descriptive marks that are not inherently distinctive and therefore must acquire secondary meaning before becoming a protected mark, the first entity to acquire secondary meaning will generally receive ownership. MCCARTHY, *supra* note 13, § 16:1.

47. MCCARTHY, *supra* note 13, § 16:1. Ownership of common law trademark and registration rights is based upon the rule of “first-in-time, first-in-right.” *Id.*

48. *Id.* So long as the mark performs the function of distinguishing goods or services of one seller from those offered by others, the owner will gain greater and greater legal rights in the symbol as they sell more goods or services. *Id.* Once rights have been developed, the owner can then sell or license the rights to others. *Id.*

49. *Trademark Basics: A Guide for Business*, *supra* note 24.

50. *Id.* Registration of the trademark on the federal register extends protection of the mark nationwide, not simply to the area in which it is used. *Id.*

51. *Basic Facts About Trademarks*, *supra* note 17, at 9. This is true because the rights acquired in the trademark are based on priority of use, not registration. Registration adds extra protection for a mark already used in commerce, however, many parties may own common law trademark rights without ever registering their mark. *Id.*

2. Registration Process

In addition to common law rights acquired from simply using a mark to identify goods in commerce, the owner of a trademark that registers that trademark through the USPTO has additional advantages.⁵² Registered marks have the benefit of a nationwide exclusive right to use, public notice of the applicant's ownership, a listing in the USPTO's database, certain protections against foreign infringement, the right to use the federal trademark symbol, and the ability to bring an action concerning the mark in federal court.⁵³ The first step toward registering a trademark is an application to the USPTO for registration.⁵⁴ There are currently four separate bases for registering a trademark through the USPTO: a use-based application (Section 4(a)), an intent to use (ITU) application (Section 1(b)), an application filed by a qualified foreign firm (Section 44), and an extension of protection under the Madrid Protocol (Section 66(a)).⁵⁵ ITU applications have become the most popular since their introduction in 1989.⁵⁶ A use-based application tracks the common-law practice of first use.⁵⁷ If there is evidence that the mark has been used in commerce, a use-based application may be used to apply for registration.⁵⁸ An ITU application is filed by someone who has a bona fide intent to use the mark in commerce on the goods or services listed on their application.⁵⁹ In addition to the multiple bases for registration, there are two different registers in which the mark can be registered: the Principal Register and the Supplemental Register.⁶⁰ The Principal

52. *Id.* The United States Patent and Trademark Office is an agency of the U.S. Department of Commerce that is responsible for granting patents and registering trademarks. *Id.* The Commissioner for trademarks ensures the proper examination of trademark applications. *Id.*

53. *Id.* Federal registration can also be used as a basis to obtain a registration for the trademark in a foreign country. *Id.*

54. *Id.*

55. MCCARTHY, *supra* note 13, § 19:1.

56. *Id.* By 2012, 35% of all applications were use-based, 50% of all applications were ITU applications, and about 14% were foreign-based applications under § 44 or § 66(a). *Id.*

57. *Id.*

58. *Id.*

59. *Id.* Registrants may also claim use-based grounds for the registration of a mark under § 1(a) and intent-to-use under § 1(b) for use of the mark on other goods or services on the same application. *Id.* The registrant may not, however, file a use-based claim and intent-to-use claim for the use of the mark on the same goods or services in the same application. *Id.*

60. Daniel M. Gurfinkel, The U.S. Trademark Registers: Supplemental vs. Principal, 67 INTABULLETIN 9, (May 1, 2012).

Register is the most popular and offers more advantages.⁶¹ However, marks that are inherently descriptive and have yet to achieve secondary meaning are restricted to the Supplemental Register.⁶²

Assuming an applicant has a basis for registering their mark, and the mark is not inherently descriptive, the next step towards registration in the Principal Register is the examination process.⁶³ At this stage the application will be assigned to an examining attorney within the USPTO who will, among other things, determine whether the form of the application is adequate, search for conflicting marks that are already registered, and correspond with the applicant in order to deny the application or attempt to allow for correction and registration.⁶⁴ A refusal because of a conflicting mark is based upon whether there is a “likelihood of confusion as to the source or sponsorship of the goods or services because of the marks used thereon.”⁶⁵ While the application may be refused for numerous reasons other than on the basis of conflicting marks, the likelihood of confusion determination is key in various questions of trademark law, specifically in the trademark infringement context.

If an application manages to pass the examination process it is then “published in the Official Gazette of the PTO for opposition.”⁶⁶ Any person who believes that they will be damaged by the registration of the mark may file an opposition.⁶⁷ “An opposer must plead and prove that: (1) he or she is likely to be damaged by registration of the applicant’s mark; and (2) that there are valid legal grounds why applicant is not

61. *Id.*

62. *Id.* The Supplemental Register largely provides a second option for marks that have the potential to be distinctive but are merely descriptive at the time of the application. *Id.* Gurfinkel provides the example of magazine names descriptive of their own content as common registrants to the supplemental register. *Id.* The name being merely descriptive of the goods sold (the magazine) initially at the time of registration, with the hope that the name will acquire secondary meaning and with it, distinctiveness, then the mark can be amended for the Principal Register. *Id.*

63. MCCARTHY, *supra* note 13, § 19:125.

64. *Id.* If the Examiner finds that the application is not entitled to registration, they will advise the applicant and give them the reasons for the denial. *Id.* The applicant then has six months to reply or amend the application and this process can be repeated indefinitely until the Examiner gives final refusal of registration, or the applicant allows the denial to go unanswered after the six-month period elapses and the application is deemed “abandoned.” *Id.*

65. T.M.E.P. § 1207.1 (West 2016). Refusal can be based on numerous factors other than simply likelihood of confusion. *Id.* § 1200. These include, descriptive marks, those that are immoral, scandalous, depict the flag, depict images of living individuals, or those that depict subject matter protected by statute. *Id.*

66. *Trademark*, *supra* note 21.

67. *Id.*

entitled to register the claimed mark.”⁶⁸ At this point, if a successful opposition is not filed, the mark will be registered and notice of registration will be published in the Official Gazette.⁶⁹

If a mark is met with opposition, or the examining attorney denies it registration, the applicant may attempt to defend its trademark in a hearing in front of the Trademark Trial and Appeal Board (TTAB).⁷⁰ The TTAB is an administrative board that hears and decides adversary proceedings (oppositions and cancellations) and appeals of final refusals issued by Examining Attorneys during the registration process (ex parte proceedings).⁷¹ The likelihood of confusion between the opposer’s prior mark and the applicant’s mark is the focus of many oppositions and is often argued in TTAB hearings.⁷² Following an unfavorable decision by the TTAB, an applicant may appeal either to a federal circuit or federal district court.⁷³

D. Trademark Infringement

The USPTO defines trademark infringement as “the unauthorized use of a trademark or service mark on or in connection with goods and/or services in a manner that is likely to cause confusion, deception, or mistake about the source of the goods and/or services.”⁷⁴ A plaintiff in an infringement claim must prove that they are the owner of a valid mark, that their rights in the mark are “senior” to the defendant’s, and that there is a likelihood of confusion in the mind of the consumer regarding the source of the goods or services due to the defendant’s use of the mark.⁷⁵

68. *Id.*

69. *Id.*

70. MCCARTHY, *supra* note 13 § 21:1.

71. *About the Trademark Trial and Appeal Board*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/trademarks-application-process/trademark-trial-and-appeal-board-ttab> (last visited Nov. 2, 2016). Within the TTAB there are ex parte cases in which the TTAB acts as an administrative appellate body reviewing the decisions of the trademark examining attorneys. MCCARTHY, *supra* note 13, § 21:1. There are also inter parte cases in which the conflict is between applicants, an applicant and an oppose, or a registrant and petitioner for cancellation. *Id.* In these disputes, the TTAB acts as a fact-finding decision-maker. *Id.* “As of 2015, the TTAB was composed of 21 Administrative Law Judges and 12 Interlocutory Attorneys.” *Id.* § 20:99. In 2014, almost 540 cases were decided on the merits by the TTAB and almost 1,360 motions were decided. *Id.*

72. *See id.* § 20:15.

73. *See id.* § 21:10. The appealing party may choose to appeal the decision to the Federal Circuit court or elect for review de novo by a federal district court. *Id.*

74. *About Trademark Infringement*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/page/about-trademark-infringement> (last visited Nov. 2, 2016).

75. *Id.*

The likelihood of confusion determination is the “fundamental test” of trademark infringement.⁷⁶ A court will typically consider evidence in relation to various factors in determining a likelihood of confusion.⁷⁷ However, the particular factors considered, and the weight afforded to each factor, varies from case to case.⁷⁸ While various circuits have adopted slightly different lists of factors, there are common factors among the different tests.⁷⁹ Courts typically consider: the degree of resemblance between the conflicting marks; the similarity of the marketing methods and channels of trade; the characteristics of the prospective consumers and the degree of care they exercise; the degree of distinctiveness of the senior user’s mark; intent of the junior user; and evidence of actual confusion.⁸⁰ If a defendant’s use of a mark is found to have constituted infringement, the usual remedy is a permanent injunction preventing the defendant from using the mark in that way.⁸¹ Monetary damages may be available, but are usually secondary to injunctive relief in trademark infringement suits.⁸²

E. Differences Between TTAB Proceedings and Infringement Suits

While the likelihood of confusion determination is key in the infringement context and within the PTO in regard to TTAB hearings over opposition and denial of registration, there are many differences between the disputes heard by the TTAB and those heard by federal courts.⁸³ First, TTAB hearings focus on the issue of registration and whether a mark should be registered, and infringement suits are related to another’s *actual* use of the mark in commerce.⁸⁴ This means that even if a plaintiff prevails in an opposition claim, the relief granted will simply be the refusal of the defendant applicant’s registration.⁸⁵ The defendant can then go on using the mark without the benefit of the protections that registration offers. This is likely inadequate in protecting against the damage to reputation associated with use of a confusing mark, and why many plaintiffs would prefer a federal infringement action that awards

76. MCCARTHY, *supra* note 13 § 23:1.

77. *About Trademark Infringement*, *supra* note 74.

78. *Id.*

79. MCCARTHY, *supra* note 13, § 23:19.

80. *Id.*

81. *See id.* § 30:1.

82. *Id.*

83. *See id.* § 23:1.

84. Elizabeth C. Buckingham, *TTAB or Federal Court: Where to Litigate a U.S. Trademark Dispute? Part One: Board Proceedings*, 67 INTABULLETIN 3, (Feb. 1, 2012).

85. *Id.*

injunctive relief.⁸⁶ This has traditionally led to less vigorous litigation in the TTAB as opposed to during a federal court proceeding.⁸⁷

Second, there are the differences between the likelihood of confusion determination in the TTAB and in a federal infringement suit. In the TTAB the likelihood of confusion is determined using the factors from the famous *DuPont* case and, as previously discussed, each of the federal circuits has its own version of a test.⁸⁸

Lastly and perhaps most important, is the difference in procedures between the TTAB and federal court. The TTAB will not allow evidence of actual use in commerce to be introduced by an applicant.⁸⁹ This restricts the applicant's argument greatly because they must argue use of the mark as described on the application as opposed to how the mark is actually used in commerce.⁹⁰ The TTAB also does not allow live testimony and there is no right to a jury as is allowed in federal court.⁹¹ In addition, the scope of discovery is much narrower in a TTAB proceeding as opposed to federal court.⁹²

F. B&B Hardware, Inc. v. Hargis Industries, Inc.

The dispute surrounding *B&B Hardware, Inc. v. Hargis Industries, Inc.* began in the TTAB when B&B Hardware ("B&B"), owners of the "SEALTIGHT" mark for self-sealing fasteners, opposed the registration of the "SEALTITE" mark by Hargis Industries.⁹³ The TTAB refused registration of the SEALTITE mark for self-piercing and self-drilling screws after finding a likelihood of confusion between that and B&B's SEALTIGHT mark.⁹⁴ At the same time, the United States District Court for the Eastern District of Arkansas heard a parallel pending infringement action regarding the same marks.⁹⁵ The Eastern District of

86. *Id.*

87. *High Court Says Trademark Trial and Appeal Board Decisions Can Have Preclusive Effect*, JONES DAY PUBL'NS, http://www.jonesday.com/files/Publication/03bcf58e-66ea-487c-aba2-c8e65b950676/Presentation/PublicationAttachment/63a8f9af-456e-42d3-b7be-11dfa98a40c2/High_Court_Says_TTAB_Decisions.pdf (last visited Nov. 2, 2016).

88. *Id.*

89. MCCARTHY, *supra* note 13, §20:24.

90. *Id.*

91. *High Court Says Trademark Trial and Appeal Board Decisions Can Have Preclusive Effect*, *supra* note 87.

92. *Buckingham*, *supra* note 84.

93. Josephine Chang, *B&B Hardware, Inc. v. Hargis Industries, Inc.: Confusion Over a Likelihood of Confusion*, 96 J. PAT. & TRADEMARK OFF. SOC'Y 263, 263 (2014).

94. *Id.*

95. *Id.*

Arkansas refused to give preclusive effect to the TTAB finding in their infringement proceeding.⁹⁶ The Eighth Circuit affirmed the lower court's decision on appeal, and the United States Supreme Court granted *certiorari* to decide the issue.⁹⁷

In *B&B Hardware*, the Supreme Court held that “[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”⁹⁸ This reversed the Eighth Circuit's decision, and would appear to have evened the scales in terms of the importance of TTAB hearings and federal infringement suits. The differences between TTAB proceedings and federal infringement suits have led to less vigorous litigation efforts in TTAB hearings in the past, at least as compared to the effort exerted in federal infringement suits.⁹⁹ However, it is important to recognize the limited nature of the Court's holding, and other limitations recognized in the decision. The Court held that preclusive effect should be given “when the usages adjudicated by the TTAB are materially the same as those before the district court.”¹⁰⁰ The Court also recognized that while preclusive effect could apply to infringement suits and separate proceedings to decide separate rights, preclusive effect would not apply to an appeal of a TTAB registration decision as this would make the appeal “strictly *pro forma*.”¹⁰¹ The limited scope of this holding coupled with the differences between TTAB proceedings and federal courts will result in very few instances where issue preclusion will actually apply, and in turn this case will have less of an impact on trademark litigation than one would initially assume.

III. ANALYSIS

A. Different Types of Usage

The first, and likely the most common, reason preclusive effect will not be given to a TTAB decision by a federal court hearing an infringement or other trademark dispute is because of the disparity in the process by which the two authorities determine usage of a trademark. During a TTAB proceeding (either *ex parte* or *inter parte*) the board will

96. *Id.*

97. *Id.*; *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 134 S. Ct. 2899 (2014).

98. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1310 (2015).

99. See *supra* Part II.E.; *High Court Says Trademark Trial and Appeal Board Decisions Can Have Preclusive Effect*, *supra* note 87.

100. *B&B Hardware*, 135 S. Ct. at 1310.

101. *Id.* at 1305.

not accept or consider evidence of actual use of the mark in commerce.¹⁰² This limits the board's determination of how the mark is used to the goods and services described within the application.¹⁰³ This is because the TTAB is not deciding the common law rights of an applicant, "but only whether the applicant is entitled to federal registration of the mark as shown in the application and as used on the goods or services described in the application."¹⁰⁴ A determination by the TTAB regarding likelihood of confusion will not resolve the confusion issue with respect to usages not disclosed on the application.¹⁰⁵

In contrast, the commercial impression of the mark in the minds of consumers as it is actually used in the marketplace is a critical consideration when district courts are making the likelihood of confusion determination.¹⁰⁶ The thirteen federal circuit courts have developed slightly different lists of factors for determining the likelihood of confusion between particular goods or services (all slightly different from the *DuPont* factors considered within the TTAB).¹⁰⁷ While the factors themselves are not all that different between the various circuits and the TTAB, it is the focus of the TTAB on the application and registration of the mark, and the fact that they do not consider evidence of actual usage and commercial impression, that will prevent the application of issue preclusion to many cases that end up in federal court after a TTAB proceeding.¹⁰⁸

As an example, the factor of similarities between the marks themselves illustrates this disparity. The court or the TTAB will consider

102. MCCARTHY, *supra* note 13, § 20:24.

103. *Id.*

104. *Id.*

105. *B&B Hardware*, 135 S. Ct. at 1308.

106. Brief for American Intellectual Property Law as Amicus Curiae in Support of Neither Party, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), 2014 WL 4477666, at 4.

107. See *supra* Part II.D.; MCCARTHY, *supra* note 13, § 24:30. The Second Circuit utilizes the *Polaroid* test. *Id.* § 24:32. The Third Circuit utilizes the *Lapp* factors. *See id.* § 24:33. The Fourth Circuit utilizes the *Pizzeria Uno* factors. *See id.* § 24:34. The Fifth Circuit utilizes factors from the *Roto-Rooter* case. *See id.* § 24:35. The Sixth Circuit utilizes factors from the *Frisch's Restaurants* case. *Id.* § 24:36. The Seventh Circuit utilizes the *Helene Curtis* factors. *See id.* § 24:37. The Eighth Circuit uses the *SquirtCo* factors. *See id.* § 24:38. The Ninth Circuit utilizes the *Sleekcraft* factors. *See id.* § 24:39. The Tenth Circuit uses what are referred to as the "King of the Mountain" factors. *See id.* § 24:40. The Eleventh Circuit uses a test sometimes referred to as the *Frehling* factors. *See id.* § 24:41. The D.C. Circuit has little precedent on the issue but has applied the *Polaroid* test in the past. *See id.* § 24:42. The Federal Circuit utilizes the same test used within the TTAB, the *DuPont* factors. *See id.* § 24:43.

108. Brief for the New York Intellectual Property Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), 2014 WL 5659410, at 6–8.

sight, sound, meaning and commercial impression of the marks.¹⁰⁹ In some instances, an application is filed for registration and the mark will simply be the name in standard character form (no special design as would commonly be used in commerce).¹¹⁰ In this case the TTAB determination will end with a visual and phonetic comparison of the marks with no analysis of what the mark will actually look like when used in commerce.¹¹¹ In federal court, “the actual pronunciation, stylization and appearance in the marketplace” is considered.¹¹² Another factor, “the relatedness of the goods and channels of trade” also illustrates large differences in how the two forums reach their determination.¹¹³ The TTAB largely assumes that the goods or services will travel through the channels of trade that are typical for that good or service, and will not normally take into consideration whether the goods are luxury or inexpensive.¹¹⁴ Courts, on the other hand, consider “actual purchase price points, packaging, advertising, merchandising, markets and targeted consumers.”¹¹⁵

At this point it is important to revisit the limited nature of the holding in *B&B Hardware*. While the Court did hold that issue preclusion could theoretically apply to a TTAB decision on likelihood of confusion, the usages adjudicated by the TTAB must be “materially the same as those before the district court.”¹¹⁶ Given the disparities in how the TTAB and the various circuits make their similarity of goods determination it is likely that the usages adjudicated in the TTAB would rarely be materially the same as those before the district court.¹¹⁷ Considering most

109. *See id.*; MCCARTHY, *supra* note 13, § 24:32.

110. Brief for the New York Intellectual Property Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), at 8.

111. *Id.*

112. *Id.* at 9.

113. *Id.*

114. *Id.*

115. *Id.* at 10.

116. *B&B Hardware*, 135 S. Ct. at 1310.

117. In their Amicus Curiae Brief filed regarding *B&B Hardware*, the American Intellectual Property Law Association described several examples of situations in which TTAB decisions would not be based upon a consideration of the marketplace context and preclusion should not apply: when the application was based on intent-to-use, and the Board did not consider evidence of the applicant’s use; when the application was for a word mark (standard characters) rather than a stylized mark or logo and the applicant’s manner of using the mark in the marketplace differs from that depicted in the application; when the opposer relied solely on its rights under one or more registrations, and the Board did not consider the opposer’s manner of use of its marks in the marketplace; either party’s manner of using its mark in the marketplace differs from usages considered by the Board, e.g., the defendant uses different colors or fonts, or uses a disclaimer; when either party’s goods and services differs from those considered by the Board; and when

parties to a trademark infringement suit would want to introduce as much evidence relevant to the actual use of the mark as possible, the usages adjudicated in the TTAB (strictly contained in the application) would not be the same as the real life usages at issue in district court. Justice Ginsburg made certain to point out this limitation on the Court's holding in her concurring opinion:

The Court rightly recognizes that "for a great many registration decisions issue preclusion obviously will not apply." That is so because contested registrations are often decided upon a "comparison of the marks in the abstract and apart from their marketplace usage." When the registration proceeding is of that character, "there will be no preclusion of the likelihood of confusion issue...in a later infringement suit."¹¹⁸

B. The First Factor of Issue Preclusion

The Court made it clear in its holding that the ordinary elements of issue preclusion must be met.¹¹⁹ The four factors of issue preclusion are as follows:

1) the issues in both proceedings must be identical, 2) the issue in the prior proceeding must have been actually litigated and actually decided, 3) there must have been a full and fair opportunity for litigation in the prior proceeding, and 4) the issue previously litigated must have been necessary to support a valid and final judgment on the merits.¹²⁰

The Court does recognize that "just because the TTAB does not always consider the same factors, it doesn't follow that the Board applies a different standard to the usages it does consider."¹²¹ However, it is likely that the first factor of issue preclusion will not be met in most instances where litigation is taking place within federal court following a TTAB determination. This is because the issues in both proceedings will likely not be identical. In fact, because of the disparities noted above in

the facts have changed, e.g., one party's mark becomes stronger or weaker, the goods and services are different, etc. Brief for American Intellectual Property Law Association as Amicus Curiae in Support of Neither Party, *B&B Hardware*, 135 S. Ct. 1293 at 13-14.

118. *B&B Hardware*, 135 S. Ct. 1293 at 1310 (Ginsburg, J., dissenting).

119. *Id.* at 1310 (majority opinion).

120. Brief of the New York Intellectual Property Law Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), at 4-5.

121. *B&B Hardware*, 135 S. Ct. 1293 at 1307.

how the two forums make their similarity of goods determinations, the issues will rarely be identical. The issue at stake in the TTAB is the registration of the mark on the principal register, and therefore the determination is made in examining the application.¹²² However, the issues at stake in court involve actual use of the mark in commerce, which the application of the confusion factors reflects.¹²³ With these differences in the focus of TTAB proceedings and the district court litigation, it will be easy to argue against the satisfaction of the first factor of issue preclusion.

C. The Third Factor of Issue Preclusion

The differences previously discussed between the issues presented within the TTAB and those argued in district court also lead to differences in the types of evidence used within either forum.¹²⁴ Additionally, the TTAB's own restrictions on procedure can impact this as well.¹²⁵ For example, the TTAB does not allow live testimony.¹²⁶ The "trial" does not take place in the presence of a judge, but is more similar to the taking of an oral deposition in civil litigation.¹²⁷ This has the potential of depriving an individual of a full and fair opportunity for litigation in the proceeding, this provides yet another opportunity to challenge the preclusive effect of a TTAB proceeding under the third factor of issue preclusion.¹²⁸ In fact, the Court itself recognized the potential for this problem because of the TTAB's procedure regarding live testimony.¹²⁹

There are other instances in which the nature of discovery is different depending on whether the issue is being heard by the TTAB or a federal court that could prevent the third factor of issue preclusion from being

122. See Brief of the New York Intellectual Property Law Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352).

123. *Id.*

124. *Id.* at 12.

125. Procedures within the TTAB "bear a resemblance to procedures in a federal district court civil case, but are governed by the TTAB's own rules of procedure in the Code of Federal Regulations along with the Federal Rules of Civil Procedure as supplemented by the Trademark Board Manual of Procedure." MCCARTHY *supra* note 13, §20:1.

126. *Id.* at §20:101

127. *Id.* This is done for convenience because it does not require parties to travel to the USPTO near Washington, D.C. to provide testimony, but instead lets "trials" take place throughout the nation. *Id.*

128. Brief of the New York Intellectual Property Law Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), at 12–13.

129. *B&B Hardware*, 135 S. Ct. 1293 at 1309.

met. This is so because the issue of registration that is decided in the TTAB is narrower than the issue of infringement that is heard in federal court.¹³⁰ One example is the quality of goods issue.¹³¹ The quality of the defendant's goods can be an important factor when courts are making an infringement determination.¹³² "Under this factor, a court examines whether the senior user's reputation could be jeopardized by virtue of the fact that the junior user's product is of inferior quality."¹³³ This is not a factor considered by the TTAB under the *DuPont* factor test for likelihood of confusion.¹³⁴ This could narrow the scope of discovery in a given TTAB determination so that discovery crucial during district court litigation would not be obtained, therefore depriving a party "full and fair opportunity for litigation."¹³⁵

A similar issue arises when comparing the use of surveys in the TTAB and in district court litigation.¹³⁶ The surveys themselves are designed differently depending on whether they are used in the TTAB or used in district court.¹³⁷ "For a TTAB proceeding, the survey respondent is presented with the mark as it appears in the drawing" (on the application).¹³⁸ In district court litigation, the survey respondent will be shown the actual product or packaging, which displays the mark as they would actually see it in the marketplace.¹³⁹ These inconsistencies could potentially lead to different results if the mark on the application is provided in generic typeface and is unrecognizable to someone without the associated packaging or design that typically accompanies it within the marketplace.¹⁴⁰ The TTAB has also limited discovery in other ways, including limiting the parties' engagement in electronic discovery, which is typical in a district court infringement case.¹⁴¹ For the reasons mentioned above there is a likelihood that the third factor of issue

130. Brief of the New York Intellectual Property Law Association as Amicus Curiae in Support of Respondents, *B&B Hardware*, 135 S. Ct. 1293 (No. 13-352), at 13.

131. *Id.* at 12.

132. *Id.*

133. *Id.* (quoting *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 398 (2d Cir. 1995)).

134. *Id.* at 12.

135. *Id.* at 12-13.

136. *Id.* at 13.

137. *Id.*

138. *Id.*

139. *Id.*

140. *Id.*

141. *Id.* at 13-14.

preclusion will not be met when considering a past TTAB decision in the context of subsequent federal trademark litigation.¹⁴²

IV. CONCLUSION

The Supreme Court's holding in *B&B Hardware* will not have a large impact on the current state of trademark litigation in the TTAB or federal courts. First, the likelihood of confusion determination in the TTAB is based only on the usages of the mark as described on the application.¹⁴³ This is different than the determination in a district court during an infringement suit which takes into consideration the mark's actual use in the marketplace.¹⁴⁴ As a result, a determination within the TTAB regarding likelihood of confusion will not resolve the confusion issue with respect to usages not disclosed on the application.¹⁴⁵ Second, the first factor necessary for issue preclusion to apply will not be met when applying a TTAB determination in the context of a federal infringement suit.¹⁴⁶ This is because the issue at hand within the TTAB is whether a mark is entitled to registration, which is different from the issue of the mark's actual use in commerce during an infringement suit.¹⁴⁷ Lastly, the third factor necessary for issue preclusion to apply will not be met by a prior TTAB determination in the context of a federal infringement suit.¹⁴⁸ This is due to the evidentiary and procedural disparities between the TTAB and the federal courts.¹⁴⁹ Due to these three differences it will rarely be the case that preclusive effect is actually given to a TTAB determination within the context of a federal infringement suit. As a result, there should be no extra incentive for a majority of parties in TTAB disputes to vigorously litigate within the TTAB in the fear that it will later have preclusive effect on a federal infringement suit. This even more so, when it is clear that the usages of the mark described in the application are different from the actual marketplace usage of the mark or the evidence introduced within the TTAB is different from that which will later be introduced within the federal court.

142. *Id.* See *Frito-Lay N. Am., Inc. v. Princeton Vanguard, LLC*, 100 U.S.P.Q.2d 1904 (T.T.A.B. Nov. 16, 2011) (TTAB denied e-discovery request on the grounds that the TTAB has limited jurisdiction and that the discovery would be unduly burdensome).

143. *See supra* Part III.A.

144. *Id.*

145. *Id.*

146. *See supra* Part III.B.

147. *Id.*

148. *See supra* Part III.C.

149. *Id.*