



## Case Summary: *B&B Hardware, Inc. v. Hargis Industries, Inc.*

In a March 24, 2015 opinion delivered by Justice Alito and joined by Justices Roberts, Kennedy, Ginsburg, Breyer, Sotomayor, and Kagan, the Supreme Court held in *B&B Hardware, Inc. v. Hargis Industries, Inc.* that so long as the ordinary elements of issue preclusion are met, and when the usages adjudicated by the Trademark Trial and Appeal Board (TTAB) are materially the same as those before the district court, issue preclusion should apply. The case involved parallel proceedings before the TTAB and a U.S. district court concerning the trademarks SEALTIGHT and SEALTITE, and presented the question of whether the district court should have applied issue preclusion to the TTAB's determination that the latter mark is confusingly similar to the former.

Petitioner B&B Hardware (B&B) registered the mark SEALTIGHT in 1993 for various metal fasteners and related hardware for use in the aerospace industry. Respondent Hargis Industries (Hargis) subsequently attempted to register the mark SEALTITE for certain metal screws for use in the manufacture of metal and post-frame buildings. B&B instituted opposition proceedings before the TTAB, claiming that the SEALTITE mark should not be registered because it is confusingly similar to B&B's SEALTIGHT mark. The TTAB found a likelihood of confusion and refused to register Hargis' SEALTITE mark. Hargis then sought to preclude B&B from relitigating the likelihood-of-confusion issue in co-pending trademark-infringement proceedings in district court. The district court declined to afford preclusive effect to the TTAB's determination because the TTAB is not an Article III court. The Eighth Circuit affirmed, but on the separate grounds that (i) the TTAB uses different factors than the Eighth Circuit to evaluate likelihood of confusion; (ii) the TTAB placed too much emphasis on the appearance and sound of the two marks; and (iii) Hargis bore the burden of persuasion before the TTAB, while B&B bore it before the district court.

In reversing the decision of the Eighth Circuit, the Supreme Court observed that it "has long recognized that 'the determination of a question directly involved in one action is conclusive as to that question in a second suit.'" The Court cited the Restatement (Second) of Judgments for the general rule that "when an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." The Court clarified that the issue to be given preclusive effect need not have been placed before two courts, as it is "well established" that in those situations in which Congress has authorized agencies to resolve disputes, "courts may take it as given that Congress has legislated with the expectation that the principle [of issue preclusion] will apply except when a statutory purpose to the contrary is evident." The Court found nothing in the Lanham Act that would bar application of issue preclusion in cases in which the ordinary elements are met.

The Court then dispensed with each of the grounds on which the Court of Appeals declined to afford the TTAB's likelihood-of-confusion determination issue-preclusive effect. First, with regard to any difference between the likelihood-of-confusion factors applied by the TTAB, in deciding registrability, and the Eighth Circuit, in deciding infringement, the Court found that both tribunals "look[ ] to similar, but not identical, factors." However, "the factors are not fundamentally different, and '[m]inor variations in the applications of what is in essence the same legal standard do not defeat preclusion.'" Thus, so long as a single standard is provided, "parties cannot escape preclusion simply by litigating anew in tribunals that apply that one standard differently." Importantly, the Court satisfied itself that the likelihood-of-confusion standard for purposes of registration is the same as for purposes of infringement, including because the operative language of the respective statutes is the same and because district courts can cancel registrations during infringement litigation and adjudicate infringement in suits seeking judicial review of registration decisions of the TTAB. The Court rejected Hargis' argument that the relevant statutory language is not actually the same because the registration provision asks whether the marks "resemble" each other, while the infringement provision is directed towards the "use in commerce" of the marks. Although issue preclusion would be inappropriate in a case in which infringement depends on

usages of the mark that are materially different than those included in the trademark registration application considered by the TTAB, the Court was clear that “[i]f a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation.” In other words, said the Court, Hargis mistook a reason not to apply issue preclusion in *some* (or even many) cases—namely, those in which the mark is used in ways that are materially unlike the usages in its application—for a reason *never* to apply issue preclusion.

The Court likewise found error in the Eighth Circuit’s determination that issue preclusion could not apply because the TTAB’s analysis relied too heavily on certain factors. “Undoubtedly there are cases in which the TTAB places more weight on certain factors than it should. When that happens, an aggrieved party should seek judicial review. The fact that the TTAB may have erred, however, does not prevent preclusion” because “issue preclusion prevents relitigation of wrong decisions just as much as right ones.” And while recognizing that application of different burdens of proof by different tribunals may indeed bar issue preclusion, the Eighth Circuit erroneously stated the parties’ respective burdens of proof in the parallel proceedings. Specifically, contrary to the Eighth Circuit’s understanding, B&B bore the burden of persuasion before both the TTAB and the district court.

The Court finally dispensed with Hargis’s arguments that issue preclusion should never apply because the TTAB uses different procedures than district courts, and because the stakes for registration are lower than they are for infringement. Concerning procedures, “the correct inquiry is whether the procedures used in the first proceeding were fundamentally poor, cursory, or unfair,”—a possibility already accounted for in the ordinary law of issue preclusion, which will not apply in those “rare” cases in which “a compelling showing of unfairness” can be made. With regard to the relative stakes, the Court found that “[w]hen registration is opposed, there is good reason to think that both sides will take the matter seriously.”

Justice Ginsburg issued a brief concurring opinion in which she specified her understanding that when registration is decided upon a comparison of the marks in the abstract and apart from their marketplace usage, there will be no preclusion of the likelihood-of-confusion issue in a later infringement suit.

Justice Thomas authored a dissenting opinion, joined by Justice Scalia, which questioned the premise relied upon by the majority that the Court had long favored application of common-law doctrines of collateral estoppel and res judicata to final determinations of administrative bodies. Because the Lanham Act was enacted twenty years before the Court announced that administrative preclusion was an established common-law principle, the dissenting justices would have construed the Act on its own terms, which they found does not evidence a Congressional intent to apply administrative preclusion to TTAB findings of fact in subsequent trademark-infringement suits.

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