

Practice Update

Supreme Court Will Decide Level of Deference, If Any, Given to TTAB Decisions Concerning Likelihood of Confusion

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On July 1, 2014, the Supreme Court granted *certiorari* to review the Eighth Circuit's decision in the case *B&B Hardware, Inc. v. Hargis, Inc.* (2013). B&B Hardware owns a registered mark for SEALTIGHT for self-sealing nuts and bolts, claiming first use in 1990. Hargis applied for the mark SEALTITE for another type of sealing fasteners made of screws and washers, based on a later first use date. B&B opposed the Hargis application, based on a likelihood of confusion with B&B's registered mark. While the Trademark Trial and Appeal Board (TTAB) found that the fasteners are different and marketed to vastly different industries, it emphasized the appearance and sound of the marks in ultimately deciding that there was a likelihood of confusion. It also applied the 13-factor *DuPont* analysis for TTAB determinations of likely confusion – *Application of E. I. DuPont DeNemours & Co.* (1973). Hargis did not appeal.

In its trademark infringement suit against Hargis, B&B argued, among other things, that the TTAB decision should have preclusive effect on a finding of likelihood of confusion, and, even if it does not, the decision should at least be given deference and

admitted into evidence for the jury to review. The District Court disagreed, gave no preclusive effect or deference to the TTAB decision, and excluded the decision from evidence. B&B appealed to the Eighth Circuit, which affirmed the District Court's holdings in relevant part.

First, the Court noted that principles of administrative law suggest that application of collateral estoppel may be appropriate where administrative agencies are acting in a judicial capacity. However, the Court stated that such application was not appropriate here because the issues of likelihood of confusion decided by the TTAB were not the same as those decided by the District Court. The TTAB's approach looks to likelihood of confusion in the context of determining issues of registration. It ignores a critical determination of trademark infringement – the marketplace usage of the marks and the products – at the District Court level. For collateral estoppel to apply, the Court explained that the TTAB must have examined the entire marketplace context, as is done in trademark infringement actions. Moreover, the 13-factor *DuPont* test applied by the TTAB is different than the six-factor test applied by the Eighth Circuit under *SquirtCo v. Seven-Up Co.* (1980) (or similar tests in other Circuits).

Next, the Court affirmed the District Court's refusal to admit the TTAB into evidence, noting that the District Court did not abuse its discretion in finding that admitting the decision would be “highly confusing and misleading to the jury” and would be unfairly prejudicial to both parties.

The Eighth Circuit noted in its decision the various levels of deference courts have given to TTAB decisions. At one end of the spectrum, some courts treat TTAB decisions as carrying full preclusive effect as to adjudicated facts, if they are the same facts at issue in the later court proceeding. Other courts will not give the decisions preclusive effect, but will give them some weight. Still other courts

recognize the decisions unless the contrary is established with thorough conviction.

Collateral estoppel principles should apply to litigated TTAB conclusions under ordinary collateral estoppel principles. In the Eighth Circuit, that requires proof that the party sought to be precluded in the second suit must have been a party, or in privity with a party, to the original lawsuit; the issue sought to be precluded must be the same as the issue involved in the prior action; the issue sought to be precluded must have been actually litigated in the prior action; the issue sought to be precluded must have been determined by a valid and final judgment; and the determination in the prior action must have been essential to the prior judgment. *Robinette v. Jones* (2007).

In *Hargis*, collateral estoppel should not apply except if there are specific factual findings in a final judgment that are essential to the judgment on specific issues that were actually litigated before the TTAB. And even if that is the case, collateral estoppel should apply only on that factual issue, and only to the extent that the factual determinations making up the balancing test for a likelihood of confusion analysis in the district court include that determination. For example, in *Hargis*, the TTAB considered the question of whether the two marks were similar or dissimilar of the marks in their entirety as to appearance, sound, connotation, and commercial impression, and found that they were similar. That finding should be preclusive on the *SquirtCo.* factor of “the similarity of the owner’s mark and the alleged infringer’s mark,” but not on other factual determinations and not on the ultimate conclusion of likelihood of confusion.

Finally, absent collateral estoppel, there should be no other effect of TTAB determinations.

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