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Giving DuPont Its Due: How B&B Hardware Empowers TTAB

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On March 24, 2015, in B&B Hardware Inc. v. Hargis Industries Inc., the U.S. Supreme Court held that a Trademark Trial and Appeal Board determination of likelihood of confusion ("LOC") in an inter partes proceeding may preclude relitigation of the same issue in a federal district court trademark infringement case. The circumstances under which LOC preclusion could apply include (1) that the mark owner uses its mark in the marketplace consistent with the usages in its application, and (2) that the "usual elements" of issue preclusion are met.

The court stated that issue preclusion will not apply if the mark owner uses its mark in a manner materially different than the usages in the application or registration or if the TTAB does not consider the parties' marketplace usages when assessing LOC. The court agreed with the TTAB that the applicable LOC precedent was the seminal decision in In Re E.I. DuPont DeNemours & Co., 476 F.2d 1357 (CCPA 1973). But what is most interesting about the B&B Hardware decision is the potential to breathe new life into the factors of the DuPont decision that focus on actual use in the marketplace. Until now, both the TTAB and its primary reviewing court, the Federal Circuit, have ignored those factors, without sound justification for doing so.

The TTAB evaluates LOC under Section 2(d) of the Lanham Act, based on the thirteen factors set forth in DuPont.[1] As noted above, the DuPont factors include a number of factors focusing on marketplace usages. For example, the DuPont factors include (1) the similarity and nature of goods or services in connection with use of the senior mark; (2) the trade channels; (3) the conditions related to purchase; (4) the fame of the senior mark based on sales, advertising, and length of use; (5) the similar marks in use on similar goods; (6) actual confusion; (7) concurrent use; (8) the variety of goods on which a mark is used; and (9) other facts probative of the effect of use.[2] Therefore, when assessing LOC, the TTAB already has marketplace factors in place to consider marketplace usages.

The DuPont court also stated that "the following [factors], when of record, must be considered."[3] This begs the question of why there aren't more TTAB decisions with extensive findings related to the parties' marketplace usages, and why the Supreme Court carves out an issue preclusion exception for when the TTAB does not consider marketplace usages.

There are several possible explanations of why the TTAB may not consider the parties' marketplace usages when evaluating an LOC claim.

Erosion of DuPont

First, the DuPont imperative of "must" has somehow morphed into a consideration of "relevant" factors or "only factors of significance."[4] This more restricted LOC analysis allows the TTAB to focus on dispositive or significant factors like similarity of the marks and the relatedness of the goods or services.

Although the TTAB's jurisdiction is limited to the registration and cancellation of applications and registrations, the B&B Hardware decision allowing issue preclusion to apply to TTAB decisions significantly increases the potential impact of TTAB decisions regarding LOC claims.

As a result, B&B Hardware should empower the TTAB to make findings on the entire range of the DuPont factors including marketplace factors rather than findings based on "dispositive" nonmarketplace factors such as similarity of the marks and the relatedness of the goods or services. Such a shift in the TTAB's consideration of LOC claims could significantly increase the TTAB's impact on trademark infringement litigation in federal court based on the new Supreme Court precedent.

Further, the natural extension of the B&B Hardware decision is to apply issue preclusion not only to LOC claims, but also to other potentially dispositive issues frequently litigated before the TTAB, such as priority, descriptiveness, and abandonment. For each of these issues, the TTAB considers much, if not all, of the same evidence that litigants would submit to a federal court in a trademark infringement case.

Because the TTAB generally follows the Federal Rules of Civil Procedure, and because its focus is exclusively on trademarks and related issues, the TTAB is uniquely positioned to handle these other dispositive issues in addition to LOC claims. Therefore, the B&B Hardware decision should also embolden the TTAB to make findings to support issue preclusion on these additional issues, giving litigants the necessary basis to attempt to expand the reach of B&B Hardware in federal court trademark infringement cases.

Lack of Marketplace Usage Evidence

Second, the TTAB may not consider the parties' marketplace usages when evaluating an LOC claim because there is no record evidence of such marketplace usage. If there is no marketplace evidence of record because it was not submitted by the parties or the parties were unable to submit it into evidence under the TTAB Rules, then the TTAB cannot consider marketplace usages when rendering its decision.

Therefore, the B&B Hardware decision will likely have tremendous impact on the importance of how the parties litigate TTAB inter partes proceedings in the future. Because of the potential preclusive impact of the TTAB decision, both opposers and applicants will need to scrutinize their TTAB inter partes litigation strategy.

The following is a nonexclusive list of important strategy considerations for TTAB inter partes litigants: (1) should the party demand extensive discovery on marketplace usages; (2) should the party attempt to submit evidence of marketplace usages to address the entire range of the DuPont factors; (3) should the party attempt to block the other party's attempt to submit evidence of marketplace usages; (4) should the parties agree to allow a more efficient and less burdensome submission of record evidence; and (5) should the parties agree to the TTAB's accelerated case resolution process.

B&B Hardware is based on a fully litigated TTAB decision on the merits, and the elements of issue preclusion would seem to prevent preclusion based on a limited dispositive decision such as a default or dismissal of a TTAB inter partes proceeding. For example, if an applicant defaults or an opposer withdraws the opposition after an answer is filed without consent, the TTAB enters judgment against that party with prejudice. Such judgment with prejudice precludes an applicant from filing a subsequent application for the same mark and the same goods or services, and precludes an opposer from filing a petition to cancel against that same application that matures to registration. However, practitioners should be mindful of attempts to apply B&B Hardware to these situations.

Because B&B Hardware potentially eliminates a second, time-consuming, and costly adjudication of the LOC issue in certain circumstances, opposers and applicants should give greater consideration to their litigation strategy in inter partes proceedings. Both litigants and the TTAB should give DuPont its due with the parties submitting evidence of marketplace usage and with the TTAB empowered to make findings on the entire range of the DuPont factors including marketplace factors rather than findings based only on nonmarketplace factors.

Therefore, the B&B Hardware decision should increase the importance of how inter partes proceedings are litigated and decided in the future, and it will likely increase the frequency and the degree of litigation of inter partes proceedings over the coming years.

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[1] In re E. I. du Pont de Nemours and Co., 476 F.2d 1357, 1361 (CCPA 1973).

[2] Id.

[3] Id. (emphasis added).

[4] In re St. Helena Hospital, 774 F.3d 747, 750 (Fed. Cir. 2014).
