

May/June 2015 ABA IP Roundtable
TTAB and Litigation Strategy After *B&B Hardware*

By Jeremy M. Klass, Matthew R. Farley, and Mark B. Harrison, Venable LLP

In the wake of *B&B Hardware v. Hargis Industries*, 13-352 (U.S. Mar. 24, 2015), TTAB practitioners and trademark litigators need to assess how issue preclusion will factor into litigation strategy. In *B&B Hardware*, the Supreme Court ruled in a 7-2 decision that “a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met.” Slip op. at 2. While it may be some time before we see court decisions relying upon or distinguishing this case, it is never too early to consider how *B&B Hardware* can shape strategy in TTAB proceedings.

At the outset, one should recognize that the universe of cases proceeding to final judgment before the TTAB is relatively small compared to the number of proceedings filed. As a rough guide, according to the USPTO, in 2014, parties filed 5,509 oppositions and 1,722 cancellations. The TTAB decided only 132 cases (not necessarily of these cases).¹ Assuming this filings-to-decision ratio is constant, this means the TTAB issues final judgments in less than one-half of one percent of all oppositions and cancellations. The number of such cases that are not stayed during concurrent civil litigation may be similarly small, possibly approaching zero.

This makes the procedural history of *B&B Hardware* somewhat unusual in that the parties did not suspend the TTAB proceeding pending the outcome of the district court litigation (nor did Hargis appeal the TTAB’s judgment). Suspension is the more common practice, since, unlike the TTAB, an Article III court is not limited to ruling on registrability, and can also grant injunctive relief and damages.

It remains to be seen whether the Board will continue to grant suspension requests as a matter of course now that *B&B Hardware* has altered the calculus. Currently, the Board’s practice is to routinely grant suspensions when they are sought to avoid parallel Board practice and district court litigation. This practice of granting suspensions pending the outcome of district court litigation is motivated in part by comity concerns—that is, a desire to conserve judicial and agency resources by prioritizing the court decision on likelihood of confusion. (*See Trademark Trial and Appeal Board Manual of Procedure*, §510.02(a): “Most commonly, a request to suspend pending the outcome of another proceeding seeks suspension because of a civil action pending between the parties in a federal district court. To the extent that a civil action in a federal district court involves issues in common with those in a proceeding before the Board, the decision of the federal district court is often binding upon the Board, *while the decision of the Board is not binding upon the court.*” (emphasis added).)

This practice of suspending TTAB proceedings made sense because, prior to *B&B Hardware*, practitioners and the Board alike assumed that a court would not be bound by the Board’s determination on likelihood of confusion. However, now that *B&B Hardware* establishes the Board as a co-equal arbiter of the likelihood of confusion question, the Board’s presumptive

¹ See <http://www.uspto.gov/trademarks-application-process/appealing-trademark-decisions/ttab-incoming-filings-and-performance#>.

comity concern is (at least partly) undercut, and its practice of suspending proceedings as a matter of course may be undercut as well. This suggests one of two outcomes: a substantial increase in the scope of TTAB discovery and motions practice, or a strategy designed to avoid a final decision (likely by settlement but possibly by abandonment in some cases).

Regardless of the Board's suspension practices, how else will *B&B Hardware* come into play?

One likely scenario is one in which a brand is re-launched or expanded a number of years after a final adverse TTAB judgment. Perhaps this renewed commercial activity brings two marks, possibly for the first time, into a true commercial conflict. Envision that the conflict is with a party that was previously only a concern from the perspective of policing the USPTO registry, or at best only a minor player in the field. Now competitors, the parties seek relief in federal district court, and one may wish to assert issue preclusion based upon the prior TTAB decision.

For those not familiar with trademark portfolio strategy, trademark owners often engage in TTAB proceedings (both oppositions and cancellations) to increase a mark's strength on the register, even where the third-party marks at issue are not associated with directly competitive goods or services. This is a legitimate practice, and is distinguishable from trademark bullying. It is easy to see that clearing a path on the USPTO Register—that is, opposing registration and seeking cancellation of marks that arguably crowd a mark holder's registration—achieves different business goals versus pursuing district court litigation. These different options come with different price tags.

It is possible that a brand re-launch may materially alter the trademark usage in dispute, rendering *B&B Hardware* and the prospect of issue preclusion inapplicable on its face. However, this question itself means that *B&B Hardware* opens the door to time-consuming and costly motions practice and possible interlocutory appeals to address whether issue preclusion even applies.

B&B Hardware means that the specter of issue preclusion in future disputes now looms over all inter partes TTAB proceedings.

Final TTAB judgments are limited to registrability only. The Board cannot grant injunctive relief, damages or attorney fees. Given the limited (although not insignificant) scope of TTAB judgments, parties understandably are reluctant to expend more resources than are necessary to present their best case.

Unfortunately, concerns over issue preclusion may encourage parties to spend more on TTAB litigation (e.g., surveys and expert witness testimony) than they otherwise would, out of a concern that the TTAB may be their only bite at the likelihood of confusion apple. It is ironic that a ruling expanding the applicability of issue preclusion may have the perverse net effect of increasing litigation, even though the policy behind issue preclusion is, in fact, just the opposite.

This leaves us to ponder: How can we prevent a final TTAB judgment, which is limited solely to registrability, from having outsized influence on a trademark infringement suit, where injunctive relief and damages are on the table?

B&B Hardware is a powerful yet narrow decision, according great weight to final TTAB decisions in limited circumstances. Notably, the high court ruled that “a court *should* give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met” (emphasis added). Slip. op. at 2. The Court’s careful word selection (“should” vs. “shall”) signals that lower courts ultimately have some discretion to determine whether and when issue preclusion is warranted.

While this language leaves practitioners with room for maneuvering in the district court, the time to avoid or minimize issue preclusion is earlier, during TTAB proceedings. At this stage, we have no idea how (or how frequently) lower courts will rely upon *B&B Hardware* to streamline litigation. Nonetheless, there are several ways to avoid or minimize the likelihood that issue preclusion will unexpectedly (or unfavorably) apply in future disputes.

Talk to your client. Post-*B&B Hardware*, practitioners must consider issue preclusion early on in TTAB proceedings. While ultimately you may adopt a more limited litigation strategy before the TTAB than in district court, the risk of issue preclusion should now factor into your larger litigation strategy.

Contract. Can you contract around the problem? In a hotly contested proceeding where a final judgment bears on the registrability of both parties’ marks, it is possible to reach a side agreement where the parties agree that regardless of outcome, neither party will raise issue preclusion in a future dispute. An appropriate liquidated damages clause and the ease of proving a breach should encourage the parties to abide by its terms. Of course, a court may raise issue preclusion *sua sponte*, even if neither party raised the issue. It is also possible that such a contract could be challenged as against public policy.

Settle smart. The fact that the TTAB’s jurisdiction is limited to registrability doesn’t mean a settlement in a Board proceeding must also be so limited. Build in appropriate use restrictions and carve-outs to let your client’s mark expand while limiting the risk of a future dispute.

Appeal. If your client is dissatisfied with the outcome, especially if you think the Board erred, appeal. “The fact that the TTAB may have erred . . . does not prevent [issue] preclusion.” Slip op. at 19.

B&B Hardware undeniably enhances the impact of TTAB judgments. Practitioners must now weave the risks (and rewards) of issue preclusion into TTAB litigation strategy.