When a District Court Must Confront a Trademark Trial and Appeal Board Opinion

***B & B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, 2013 WL 5276022 (U.S. Sept. 18, 2013) (No. 13-352) and *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014)**

Two recent cases in the news highlight the two different ways that an opinion by the Trademark Trial and Appeal Board ("TTAB") can wind up before a federal district court. More

B & B Hardware, Inc. v. Hargis Industries, Inc., 716 F.3d 1020 (8th Cir. 2013), *petition for cert. filed*, 2013 WL 5276022 (U.S. Sept. 18, 2013) (No. 13-352) and *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014)

Two recent cases in the news highlight the twodifferent ways that an opinion by the Trademark Trial and Appeal Board ("TTAB")can wind up before a federal district court. And, in both contexts, the chief question is how much preclusive effector deference is owed to the TTAB's holdings.

In the first case, *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 716 F.3d 1020(8th Cir. 2013), *petition for cert. filed*,2013 WL 5276022 (U.S. Sept. 18, 2013) (No. 13-352), the Supreme Court currentlyis considering whether to grant certiorari in a civil infringement actionbrought by B&B Hardware. B&BHardware owns a registration for SEALTIGHT for self-sealing nuts and boltsbased on first use in 1990. It opposedan application filed by Hargis for the mark SEALTITE for another type ofsealing fasteners made up of screws and washers based on a later first usedate. After conducting alikelihood-of-confusion analysis using the so-called *DuPont* factors and finding, *interalia*, that the marks were "substantially identical," the products were"closely related" and actual confusion had resulted, the TTAB sustained theopposition. *B & B Hardware, Inc. v. Sealtite Building Fasteners*, Opp.

No.91155687, 2004 WL 1776636 (T.T.A.B. Aug. 6, 2004); *see also Application of E. I. DuPont DeNemours & Co.*, 476 F.2d1357 (C.C.P.A. 1973). Hargis did notappeal.

B&B then turned to the district court, inwhich it had already initiated an infringement action. However, there, the jury found for defendantHargis, including on the infringement claim. B&B failed to convince either the district court or the Court ofAppeals for the Eighth Circuit that the TTAB decision should be givenpreclusive effect or, even, admitted into evidence. The district court refused to hold the TTABdecision had preclusive effect on the ground that the TTAB was not an ArticleIII court. The district court would notadmit into evidence the TTAB decision because the thirteen *DuPont* factors differed from the six factors that must beconsidered under Eighth Circuit law in determining likelihood ofconfusion. The Court of Appeals for theEighth Circuit affirmed, pointing to the different (albeit overlapping)factors. 716 F.3d 1020, 1025 (8th Cir.2013). One judge dissented.

The questions presented to the Supreme Courtare, first, "[w]hether the TTAB's finding of likelihood of confusion precludesHargis from relitigating that issue in infringement litigation . . . ," and,second, if Hargis is not estopped from relitigating likelihood of confusion,what, if any, deference is due to the TTAB's finding. B&B argues that there is a four-way spliton these issues among the U.S.circuit courts, which would indicate the need for the Supreme Court to step inand resolve the split. But, Hargis takesissue with this characterization, calling the split illusory. Hargis insists instead that circuit courtsacross the country are uniform in that they determine what, if any, preclusiveeffect is owed to TTAB decisions on the facts of each case, not based on ablack-and-white rule.

Notably, on January 13, 2014, the Supreme Courtinvited the Solicitor General to file a brief in the case expressing itsposition. This invitation stronglysuggests that the Court will grant certiorari. Any decision by the Supreme Court on the questions presented wouldundoubtedly affect strategic decisions concerning whether to pursue *inter partes* proceedings before pursuingan infringement action in federal court.

The second case, *Swatch AG v. BeehiveWholesale, LLC*, 739 F.3d 150 (4th Cir. 2014), concerns appeals to thedistrict court of TTAB final decisions brought pursuant to Section 21 of theTrademark (Lanham) Act, 15 U.S.C. § 1071(b). Under Section 21, a litigant in an *inter partes* or *ex parte* proceeding, who is "dissatisfied with the decision of the. . . Trademark Trial and Appeal Board" may seek "remedy by civil action." 15 U.S.C. § 1071(b). More often litigants challenge a TTABdecision by

appealing to the Federal Circuit under 15 U.S.C. § 1071(a), which permits an appeal based solely on the recordbelow. In stark contrast, appeals to thedistrict court permit the parties to submit new evidence.

Before the Fourth Circuit's decision in *Swatch*, it was said that the districtcourt would "sit in a dual capacity" for Section 1071 appeals. *Skippy, Inc. v. Lipton Invs., Inc.*,345 F. Supp. 2d 585, 586 (E.D. Va. 2002) *aff'd*, 74 F. App'x 291 (4th Cir. 2003). "On the one hand, the court [sat as] anappellate reviewer of facts found by the TTAB. On the other hand, the court [sat as] a fact-finder based on newevidence introduced to the court. Reviewof new evidence [was] *de novo*. The district court, . . . however, [was to]afford deference to the fact-findings of the TTAB." *Id.*

In *Swatch*,however, the Fourth Circuit overruled this precedent holding that "where newevidence is submitted, *de novo* review of the entire recordis required because the district court 'cannot meaningfully defer to the PTO'sfactual findings if the PTO considered a different set of facts.'" *Swatch AG*, 739 F.3d at 156 (quoting *Kapposv. Hyatt*, 132 S. Ct. 1690, 1700 (2012))(emphasis added).

The Fourth Circuit's holding enhances the allureof bringing an appeal to district courts in the Fourth Circuit, as opposed tothe Federal Circuit, since the appellant can guarantee itself a "fresh look" atits case simply by supplementing the record with new evidence. It remains to be seen whether other circuitcourts will follow the Fourth Circuit's lead or whether a split will emerge,potentially setting the stage for another trip to the Supreme Court.

– LK

Primary Contacts

Leo Kittay