

# Supreme Court Rules That TTAB Decisions Can Have Preclusive Effect in Infringement Actions

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## **The ruling creates new risks to assess in TTAB litigation strategies.**

On March 24, the US Supreme Court decided in the case of *B&B Hardware, Inc. v. Hargis Industries, Inc.*<sup>[1]</sup> that a decision by the Trademark Trial and Appeal Board (TTAB) on the issue of likelihood of confusion between two trademarks can preclude a federal district court from making its own determination on that issue, as long as the ordinary elements of issue preclusion are met. The Court, however, noted that in a “great many” TTAB registration decisions, the ordinary elements of issue preclusion will not be met.

## **Background**

B&B Hardware, Inc. (B&B) sells a fastener product used in the aerospace industry under the trademark SEALTIGHT for which it had obtained a federal trademark registration. Hargis Industries, Inc. (Hargis) sells self-drilling and self-tapping screws used in the construction of metal buildings under the SEALTITE mark and applied to register the SEALTITE mark with the US Patent and Trademark Office (PTO).

B&B initiated an opposition proceeding against Hargis’s application with the TTAB in which the TTAB ultimately held that there was a likelihood of confusion between the two marks and refused to register Hargis’s SEALTITE mark. Importantly, Hargis did not appeal this decision.

Before the TTAB announced its decision, B&B also brought an action for trademark infringement against Hargis in federal district court alleging trademark infringement. Once the TTAB decision was issued and not appealed, B&B argued that Hargis could not contest whether there was a likelihood of confusion because the TTAB had already made a determination on that issue. The district court disagreed and allowed the question of whether there was a likelihood of confusion between the marks to be tried by a jury, which determined that there was no likelihood of confusion. A majority of the panel for the US Court of Appeals for the Eighth Circuit affirmed, holding that a district court cannot give preclusive effect to TTAB decisions on that issue in subsequent trademark infringement actions.

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The Supreme Court took the case to determine whether issue preclusion applied to the TTAB's decision that there was a likelihood of confusion.

## **Holding**

A majority of the Supreme Court held that “a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met,” namely, that an issue of fact or law was actually litigated, that the issue was decided in a valid and final judgment, and that the determination was essential to the judgment.<sup>[2]</sup>

In holding that a TTAB decision could be preclusive, the Court reasoned that, although the TTAB may consider different factors than a district court would consider to determine whether there is a likelihood of confusion between two trademarks, the same likelihood of confusion standard in general applies in both forums.

Hargis argued that issue preclusion should not apply because the TTAB typically analyzes the marks, goods and/or services, and channels of trade only as specifically set forth in the registration or application, whereas a federal district court can consider the actual usage of the marks by the parties in the marketplace. Although the Court rejected this argument, it explained that its decision did not mean that a TTAB likelihood-of-confusion determination would always preclude a court from making its own likelihood of confusion determination based on actual use of the marks at issue. If a mark is used in ways that are “materially the same” as the use reflected in its application for registration, the TTAB decision on the likelihood of confusion should have a preclusive effect in subsequent district court litigation. On the other hand, if a mark is used in ways that are “materially different” than those reflected in its application, and the TTAB does not consider the actual marketplace use, then the TTAB decision should not have a preclusive effect in a suit where the manner of actual use in the marketplace is at issue.

Although the Court held that there was no categorical reason to doubt the quality, extensiveness, or fairness of TTAB hearing, it made clear that issue preclusion should not apply if the procedures used by the TTAB were “fundamentally poor, cursory, or unfair.” Thus, a party could argue, for example, that issue preclusion should not apply because the TTAB's procedures do not allow for live testimony or a decision not to allow certain evidence to be introduced prejudiced its ability to present its case.

## **Impact of the Decision on Future Trademark Litigation**

Although the Court indicated that a “great many” registration decisions would not meet the ordinary elements of issue preclusion, the Court did not provide any concrete guidance on how to determine whether the actual use of a mark is “materially the same” or “materially different” than reflected in the application for registration. It may be more difficult in certain circumstances than others to prove that actual use is materially different from the registered mark. For example, longstanding precedent holds that registrations for word marks in block lettering are not limited to any particular rendition of the mark.<sup>[3]</sup> If such a registration covers all reasonable manners in which the mark could be depicted,<sup>[4]</sup> then it may be difficult to demonstrate that the actual use of a mark registered in this manner is materially different from what is covered by the registration. These issues and many other issues regarding this new materiality standard are destined to be the subject of future litigation.

Until the precise parameters of the scope of issue preclusion are clarified, parties involved in registrability proceedings before the TTAB face a new set of risks in the wake of the Supreme Court

decision. Some trademark owners in the past have chosen to litigate whether there is a likelihood of confusion between two trademarks in the TTAB first rather than bring an infringement action in federal district court because TTAB proceedings are often more streamlined and can be less expensive than federal district court litigation.

Now that the Supreme Court has made clear that a TTAB decision can have a preclusive effect in infringement litigation, however, a trademark owner who loses on the issue of likelihood of confusion between two trademarks at the TTAB must appeal that decision or risk facing a fight about issue preclusion in any subsequent infringement action that hinges on an undefined standard of materiality. Likewise, an applicant who seeks to register a trademark and faces opposition should think twice about whether to respond to a notice of opposition and risk a final determination on the issue of likelihood of confusion. An applicant may not care enough about obtaining a registration to risk issue preclusion in the future and may therefore take a default judgment so that the issue is not “actually litigated” in the TTAB.

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[1]. U.S., No. 13-352, 3/24/2015.

[2]. See Restatement (Second) of Judgments §27.

[3]. See, e.g., *Cunningham v. Laser Golf Corp.*, 222 F.3d 943, 950 (Fed. Cir. 2000) (“Registrations with typed drawings are not limited to any particular rendition of the mark.”).

[4]. *Fossil Inc. v. Fossil Grp.*, 49 U.S.P.Q.2d 1451, 1454 (T.T.A.B. 1998).

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National Law Review, Volume V, Number 85

Source URL: <https://natlawreview.com/article/supreme-court-rules-ttab-decisions-can-have-preclusive-effect-infringement-actions>