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COMMENTARY

B & B HARDWARE AND EX PARTE APPEAL

*By Pamela Chestek**

John Welch, who reviews Trademark Trial and Appeal Board (TTAB) decisions in his blog *The TTABlog*,¹ frequently asks “WYHA?”—an acronym for “would YOU have appealed?”²—meaning would you have appealed those *ex parte* refusals of registration that look very difficult to win. After the Supreme Court’s recent decision in *B & B Hardware, Inc. v. Hargis Industries, Inc.*,³ applicants should ponder that question a little harder before filing such an appeal.

In *B & B Hardware*, the Court held that a TTAB decision in an opposition proceeding can have preclusive effect in a subsequent infringement proceeding: “[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.”⁴ Although *B & B Hardware* involved an *inter partes* proceeding, nothing in the opinion limits the application of issue preclusion (also known as collateral estoppel) to oppositions and cancellations.⁵

If an applicant is appealing the refusal of its application under Section 2(d) of the Lanham Act,⁶ the Trademark Office will have identified a specific senior registration with which the applicant’s mark might be confused. The applicant, if unsuccessful in

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1. John L. Welch, *The TTABlog* (last visited Mar. 29, 2015), <http://thettablog.blogspot.com>.

2. John L. Welch, *TTAB Reverses Mere Descriptiveness Refusal of RBAM for Engineering Consulting Services*, *The TTABlog* (Aug. 7, 2014), <http://thettablog.blogspot.com/2014/08/ttab-reverses-mere-descriptiveness.html> (explaining “WYHA?”).

3. No. 13-352 (S. Ct. Mar. 24, 2015), available at http://www.supremecourt.gov/opinions/14pdf/13-352_c0n2.pdf.

4. *Id.*, slip op. at 22.

5. This Commentary discusses the preclusive effect of *ex parte* appeals, but is there an argument that even an unappealed refusal to register could have preclusive effect? *See, e.g.*, *Syntax Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 569 (2d Cir. 1971) (holding that a refusal to register under Section 2(d) was not binding but entitled to “great weight”); *but see Everest Capital Ltd. v. Everest Funds Mgmt., L.L.C.*, 393 F.3d 755, 764 (8th Cir. 2005) (excluding evidence that an application was suspended because it “had little probative value because it stated a tentative opinion.”).

6. United States Trademark Act of 1946, as amended (“Lanham Act”), § 2(d), 15 U.S.C. § 1052(d) (2012).

convincing the examining attorney that there is no likelihood of confusion, can then appeal to the TTAB. If the TTAB affirms the examining attorney's finding (which it does in 85% to 90% of the cases⁷), can the owner of the cited registration later use the failed *ex parte* appeal to prove infringement? Perhaps.

The Supreme Court gave us the general rule for issue preclusion: “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”⁸ According to the Federal Circuit, “Collateral estoppel requires four elements: (1) a prior action presents an identical issue; (2) the prior action actually litigated and adjudged that issue; (3) the judgment in that prior action necessarily required determination of the identical issue; and (4) the prior action featured full representation of the estopped party.”⁹ All of these elements for collateral estoppel can exist in the *ex parte* appeal situation.

One immediate distinction between *ex parte* and *inter partes* proceedings is that in the *ex parte* appeal there is no examination to determine which party is senior;¹⁰ the TTAB simply considers whether there is already a registered trademark that the applied-for mark resembles, and, if so, then the application is not allowed. Since priority is not at issue, the decision in the *ex parte* appeal cannot have preclusive effect on the priority question in a later proceeding.

But if priority is not in dispute, the registration and the *ex parte* appeal may be all the proof the registrant needs for its infringement claim. In a subsequent infringement action against the unsuccessful applicant, the plaintiff-registrant will need to prove only that it owns the mark at issue, that the mark is valid and legally protectable, and that the defendant's use of the mark is likely to create confusion.¹¹ The certificate of registration is evidence of the first two,¹² and *B & B Hardware* teaches that likelihood of confusion under Section 2(d)¹³ and infringement

7. John L. Welch, *What is the Likelihood of TTAB Affirmance of a Section 2(d) Likelihood of Confusion Refusal?*, The TTABlog (January 22, 2014), http://thettablog.blogspot.com/2014/01/what-is-likelihood-of-ttab-affirmance_22.html.

8. *B & B Hardware*, slip op. at 9, quoting Restatement (Second) of Judgments § 27, p. 250 (1980).

9. *Stephen Slesinger, Inc. v. Disney Enter., Inc.*, 702 F.3d 640, 644 (Fed. Cir. 2012).

10. *In re Calgon Corp.*, 435 F.2d 596, 598 (C.C.P.A. 1971) (“[T]he question of priority of use is not germane to applicant's right to register in this *ex parte* proceeding.”)

11. *Checkpoint Sys., Inc. v. Check Point Software Tech., Inc.*, 269 F.3d 270, 279 (3d Cir. 2001).

12. Lanham Act § 33(a), (b), 15 U.S.C. § 1115(a), (b) (2012).

13. Lanham Act § 2(d), 15 U.S.C. § 1052(d) (2012).

under Sections 32 or 43(a)¹⁴ present identical legal issues: “To begin with, it does not matter that registration and infringement are governed by different statutory provisions. Often a single standard is placed in different statutes; that does not foreclose issue preclusion.”¹⁵ So with a certificate of registration and collateral estoppel on likelihood of confusion, the case is made.

The second element for application of collateral estoppel is whether the issue was actually litigated and adjudged in the prior proceeding. Note what is *not* required for collateral estoppel—under the principle of non-mutual collateral estoppel, the adverse party in the later proceeding does not have to have participated in the earlier one.¹⁶

Before *B & B Hardware*, the TTAB itself held that an *ex parte* proceeding could have collateral estoppel effect. Under the Board’s pre-*B & B Hardware* case law, collateral estoppel applied where the *ex parte* applicant actually appealed to a district court (where a *de novo* hearing is available), but there would not be an estoppel if the applicant appealed directly to the appeals court.¹⁷ But *B & B Hardware* rejects this distinction, holding that the TTAB decision may have preclusive effect regardless of whether it is appealed:

[O]ne can seek judicial review of a TTAB registration decision in a *de novo* district court action, and some courts have concluded from this that Congress does not want unreviewed TTAB decisions to ground issue preclusion. *See, e.g., American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9–10 (C.A.5 1974). But that conclusion does not follow. Ordinary preclusion law teaches that if a party to a court proceeding does not challenge an adverse decision, that decision can have preclusive effect in other cases, even if it would have been reviewed *de novo*.¹⁸

This reasoning logically applies to *ex parte* proceedings as well.¹⁹

14. Lanham Act § 32, 15 U.S.C. § 1114 (2012); Lanham Act § 43(a), 15 U.S.C. § 1125(a) (2012).

15. *B & B Hardware*, slip op. at 15.

16. *See Acevedo-Garcia v. Monroig*, 351 F.3d 547, 574 (1st Cir. 2003) (defining non-mutual offensive collateral estoppel as where “plaintiffs seek to use issue preclusion to tie the defendants’ hands with an adversely decided issue from a previous case.”).

17. *Polaroid Corp. v. C & E Vision Servs., Inc.*, 52 U.S.P.Q.2d 1954 (P.T.O. Oct. 29, 1999) (*distinguishing* *Lukens Inc. v. Vesper Corp.*, 1 U.S.P.Q.2d 1299, 1301 (T.T.A.B. 1986), *aff’d mem.*, 831 F.2d 306 (Fed. Cir. 1987) and *Flowers Indus. Inc. v. Interstate Brands Corp.*, 5 U.S.P.Q.2d 1580 (T.T.A.B. 1987)); *see In re Honeywell Inc.*, 8 U.S.P.Q.2d 1600 (P.T.O. Aug. 16, 1988) (explaining reasoning).

18. *B & B Hardware*, slip op. at 13.

19. *Cf. United States v. Utah Const. & Min. Co.*, 384 U.S. 394, 400 (1966) (in a contract dispute with the government, giving preclusive effect to a decision made by the government contracting officer and reviewed by an Advisory Board of Contract Appeals); *but see Nat’l Ass’n of Letter Carriers, AFL-CIO v. U.S. Postal Serv.*, 272 F.3d 182, 189 (3d Cir. 2011)

Third, it is *a priori* true that the prior action, the *ex parte* appeal, necessarily required determination of the identical issue as the subsequent infringement claim. Likelihood of confusion is the sole basis for refusing registration under Section 2(d), so it can be nothing but a necessary determination for a 2(d) refusal.

The last factor is whether the party defending against preclusion had a full and fair opportunity to litigate the issues, considering whether there were significant procedural limitations in the prior proceeding, whether the party had an incentive to fully litigate the issue, and whether effective litigation was limited by the nature or relationship of the parties.²⁰ The *B & B Hardware* court tells us that the *inter partes* TTAB proceeding does not have procedural limitations that are significant enough to avoid an estoppel: “[h]ere, there is no categorical reason to doubt the quality, extensiveness or fairness of the agency’s procedures. In large part they are exactly the same as in federal court.”²¹ In the *ex parte* case, the appealing applicant may provide evidence from any competent source, including testimony, surveys, dictionaries, and publications.²² The mere fact that, hypothetically, there could be evidence relevant in an infringement proceeding that the applicant cannot use in the *ex parte* proceeding will not avoid the application of collateral estoppel altogether, though, as the Supreme Court held in the *inter partes* situation:

It is conceivable, of course, that the TTAB’s procedures may prove ill-suited for a particular issue in a particular case, *e.g.*, a party may have tried to introduce material evidence but was prevented by the TTAB from doing so, or the TTAB’s bar on live testimony may materially prejudice a party’s ability to present its case. The ordinary law of issue preclusion, however, already accounts for those “rare” cases where a “compelling showing of unfairness” can be made.²³

The Court also tells us we have strong incentive to pursue the registration: “Congress’ creation of this elaborate registration scheme, with so many important rights attached and backed up by plenary review, confirms that registration decisions can be weighty enough to ground issue preclusion.”²⁴ While those of us who

(“We are convinced that it would be strange if a determination in a non-adversarial proceeding had a preclusive effect in an adversarial proceeding as ‘the general rule [is] that issue preclusion attaches only “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment. . . .” ’ *Arizona v. California*, 530 U.S. 392, 414, 120 S. Ct. 2304, 2319, 147 L. Ed. 2d 374 (2000).” Brackets in original.)

20. *Banner v. United States*, 238 F.3d 1348, 1354 (Fed. Cir. 2001).

21. *B & B Hardware* slip op. at 20.

22. *See, e.g.*, *In re Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 828 F.2d 1567, 1570 (Fed. Cir. 1987) (noting that there was “voluminous” evidence in an *ex parte* proceeding).

23. *B & B Hardware* slip op. at 20.

24. *Id.* at 22.

practice may disagree with this conclusion, the Court seems to have left little opportunity to argue that the examination process, with several rounds of argument with the examining attorney, a hearing before the Board, and the option to seek review by both a district court and an appeals court, somehow was not a full and fair opportunity for the applicant to argue the issue.

Should the logic of *B & B Hardware* be extended to grant preclusive effect to *ex parte* appeals, it would put in place a lopsided system that favors the registrant. The registrant never participated in the *ex parte* appeal, so it benefits from a decision against the applicant but is not collaterally estopped by a decision in favor of the applicant since the registrant did not have a full and fair opportunity to litigate the issue. The applicant, therefore, has all the risk on the appeal and the senior registrant none.

So, should a practitioner appeal an examining attorney's final refusal? If the applicant does not have confidence that it can persuade the Board or if it does not know how it would ultimately show that the *ex parte* appeal and a future infringement claim involve materially different issues, the applicant should think long and hard about whether it is willing to risk being estopped altogether by taking that long shot to obtain a registration.
