TTAB Rulings' Preclusive Effect 5 Years After B&B Hardware

By **Curtis Krechevsky and Alison Caless** (March 18, 2020)

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On March 24, 2015, the U.S. Supreme Court issued its opinion in B&B Hardware Inc. v. Hargis Industries Inc.[1]

The court held that decisions of the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board on the issue of likelihood of confusion in an inter partes proceeding (e.g., trademark oppositions and cancellations) could have preclusive effect for that issue in a trademark infringement action in federal court between the same parties.

The court ruled that:

So 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.[2]

Notably, the B&B Hardware decision did not expressly restrict its scope to likelihood of confusion issues. As one of the co-authors stated in an **earlier article** assessing the court's opinion shortly after the decision was announced:

[T]he 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.[3]

The fifth anniversary of B&B Hardware affords us an opportunity to examine how the court's opinion has influenced the treatment of TTAB decisions in the lower courts. As we shall see, the B&B Hardware decision has indeed been extended to other dispositive issues initially litigated at the TTAB, or even at other federal agencies and in state courts. The real question, however, is whether this extension to other issues is a positive development.

Other Dispositive TTAB Rulings Leading to Issue Preclusion

Priority of Rights

Six months after the Supreme Court's decision, the U.S. District Court for the District of Maryland applied B&B Hardware not to likelihood of confusion but still to a dispositive trademark issue: priority of rights.

In Ashe v. PNC Financial Services Group Inc., Keith Ashe had applied for the mark Spendology for web-based personal finance tools in Class 36.[4] PNC Financial Services Group Inc. opposed the application, claiming that PNC had used its identical mark earlier and in connection with PNC's online money management tool. The TTAB ruled that PNC had established prior use and refused registration of Ashe's mark. Ashe then sued PNC for trademark infringement in the Maryland federal district court. PNC filed a motion to dismiss the complaint for failure to state a claim.

The trial court granted the motion on the basis of B&B Hardware: "[A] court should give preclusive effect to [TTAB] decisions if the ordinary elements of issue preclusion are met."[5] The court found that the TTAB's determination of prior use in the opposition proceeding involved the same issue as a required element of a trademark infringement claim.

In addition, the court found that the issue of priority was resolved in the TTAB proceeding, the issue was critical and necessary to the TTAB's judgment, the judgment was final, and Ashe had a full and fair opportunity to litigate the issue before the TTAB. Thus all five requirements for issue preclusion were met. Since priority of rights was a necessary element of Ashe's infringement claim, the court granted PNC's motion to dismiss.

Interestingly, Ashe specifically raised the issue that the TTAB did not consider Ashe's present usage of the trademark, which differed from the usage described in his trademark application. The court determined that the since the specific mark usage was not in question for the case at hand, the Supreme Court's finding that preclusion is inappropriate where the TTAB, "does not consider the marketplace usage of the parties' marks" does not apply to the distinct issue of priority of use.

Fraud on the USPTO

One month after the Ashe v. PNC decision, another federal district court held that issue preclusion could be applied to a TTAB finding of fraud on the USPTO.[6]

Mujahid Ahmad was a Virginia-based real estate agent and mortgage broker who filed a Lanham Act Section 1(a) (use-based) federal trademark application for the mark Nationstar. Nationstar Mortgage LLC opposed the application on the ground that Ahmad had committed fraud on the USPTO regarding the claim of use.

Although Ahmad then amended his application from use-based to intent to use under Section 1(b), the TTAB concluded that the amendment did not protect against a claim of fraud at the time the application was filed. The TTAB found that Ahmad was not using the Nationstar mark in connection with the application's recited services prior to his filing date.

In addition, the TTAB emphasized that as a real estate agent, Ahmad was well aware that legal documents have to be clearly reviewed prior to signing. The application also claimed use in connection with real estate, mortgage, and insurance brokerages and business finance procurement services. All of these services required a state license, which Ahmad did not have at the time of filing.

The evidence led the TTAB to decide that Ahmad did not have a good faith, reasonable basis for believing that, at the time of filing, he was using the Nationstar mark in commerce for all the services identified in the application. Ahmad did not appeal the TTAB decision. NSM proceeded to file suit in the U.S. District Court for the Eastern District of Virginia, alleging fraud among other claims. The Virginia trial court determined that the TTAB's decision on the issue of fraud was preclusive and granted NSM's motion for summary judgment on this claim.

Likelihood of Confusion Issue Preclusion — Applicable for How Long?

A New York federal district court applied B&B Hardware and gave preclusive effect to a TTAB likelihood of confusion ruling in Cesari SRL v. Peju Province Winery LP.[7] The most notable aspect of this application of B&B Hardware was that the TTAB's preclusive decision had been

issued nearly 13 years earlier — long before the parties or their attorneys would anticipate its binding impact.

Cesari was an Italian winery that sold wines under the mark Liano in the U.S. Peju, a winery in Northern California, started selling wines bearing the mark Liana and applied to register the mark in 2003. Cesari successfully opposed the application and obtained a TTAB summary judgment on the issue of likelihood of confusion. Peju continued to use Liana for wine and in March 2016 filed a second application to register the mark. After the application published, Cesari not only opposed but simultaneously filed a trademark infringement lawsuit in federal district court.

In the court case, Cesari moved for partial summary judgment on the likelihood of confusion issue, arguing that Peju was precluded from relitigating the issue due to the TTAB's prior decision. The court granted the motion. Peju argued that their actual marketplace usage of Liana is materially different from what the TTAB adjudicated — the TTAB adjudicated wines versus wines, rather than the more specific goods, an Italian red Sangiovese/Cabernet Sauvignon, versus a Napa Valley late harvest Chardonnay dessert wine.

The district court dismissed this argument as "a distinction without a difference in this context." And further, "the marketplace usage the TTAB considered, wines, entirely encompasses the narrower usages defendants proffer in this litigation. Wines purchased by sophisticated consumers, after all, are still wines."[8] In our opinion, the court viewed this encompassment incorrectly.

Other Dispositive Government Rulings Leading to Issue Preclusion

International Trade Commission Trademark Decision

In May 2019, the U.S. Court of Appeals for the Federal Circuit initially issued a ruling that International Trade Commission actions do not bar subsequent district court cases, that ITC trademark rulings are not binding on district courts and that parties are not precluded in court from raising arguments already presented to the ITC.

This ruling diverged from decades-old precedent, including decisions in the U.S. Courts of Appeals for the First, Second and Fourth Circuits. The ITC decision was In the Matter of Certain Personal Transporters.[9] However, on Aug. 14, 2019, the Federal Circuit vacated its circuit-splitting decision.[10] In a puzzling development, the reissued opinion did not discuss issue preclusion, leaving the Federal Circuit's position on issue preclusion for ITC trademark cases undetermined.

State Court Decision

Although not a pure trademark case, in Bibiji Inderjit Kaur Puri v. Yogi Bhajan Administrative Trust, a California federal district court applied B&B Hardware and found issue preclusion based on a prior decision by a New Mexico state court in a related trust and probate action.[11]

Yogi Bhajan was a well-known spiritual and religious leader of the Sikh religion. His wife, Bibiji Inderjit Kaur Puri had a long history of litigation with the Golden Temple of Oregon and the trustees of the Yogi Bhajan Administrative Trust. In the California court action, Bibiji sued GTO and YBAT for breach of trust and related claims, for trademark infringement and for a determination by the probate court of the true ownership of the marks involved in the dispute.

Yogi and Bibiji Bhajan had created YBAT as a living trust, which resulted in co-ownership of the marks Yogi, Yogi Tea and Peace Cereal. Due to this co-ownership, YBAT was able to enter into a trademark license agreement with GTO. Bibiji had turned down an agreement with GTO.

Soon after her husband's death, Bibiji questioned the calculation of her share of the YBAT assets. Accordingly, the successor trustees brought an action for declaratory relief against Bibiji in New Mexico state court. Bibiji alleged that the successor trustees failed to identify and account for all assets and breached their fiduciary duty to her as a beneficiary of the trust. The judge of the New Mexico trust action ruled that YBAT and Bibiji shared a 50% ownership interest in all YBAT's intellectual property, including the Yogi Bhajan trademarks.

When ownership of the Yogi Bhajan trademarks was also raised in the federal court action in California, the California court found that the ownership issues were the same as those litigated in the trust action. The full faith and credit clause thus required that the federal court give the New Mexico court decision the same preclusive effect as if the federal court were a state court in New Mexico.

Is Judicial Extension of B&B Hardware Issue Preclusion a Good Idea?

As mentioned earlier, in B&B Hardware the court did not expressly limit the scope of its decision to likelihood of confusion issues. The failure to do so has been interpreted by lower courts as an open invitation to extend the holding to other TTAB-decided dispositive issues. One major incentive for the lower courts to do so is to conserve judicial resources, by bringing to a much swifter conclusion the fact-intensive and high evidentiary volume trademark infringement cases.

However, we are wary of judicial extension of B&B Hardware to other dispositive trademark issues.

Expanding B&B Hardware to issues other than likelihood of confusion raises the stakes even higher for parties at the TTAB and creates pressure to litigate aggressively every single claim and defense raised in a TTAB proceeding, with the corresponding consumption of limited TTAB resources and bandwidth. And there is also pressure for a dissatisfied party to appeal a TTAB decision.

Otherwise, that decision becomes conclusive if the same issue is raised again in simultaneous or subsequent court cases involving the same parties. And under the Cesari v. Peju court's logic, the TTAB decision's preclusive effect can last for many years down the road. Further, parties must be prepared to deal with trying to convince a court about the fundamental distinctions between the TTAB world versus the marketplace. Peju's attorneys appeared to be unsuccessful in imparting this argument to the court in Cesari v. Peju.

But that's not the only reason to be concerned about judicial extension of issue preclusion. We presume that Justice Samuel Alito, writing for the 7-2 majority, carefully and deliberately selected his words when crafting the court's opinion. The holding itself says that issue preclusion is limited, to situations "when the usages adjudicated by the TTAB are materially the same as those before the district court."[12]

It follows that if the TTAB adjudicates a dispositive issue that does not involve a comparison of the parties' usages of their respective marks, such as a priority of rights dispute or a claim of fraud on the USPTO, then TTAB decisions on these issues should fall outside the

scope of the court's holding, and issue preclusion is unwarranted. None of the lower court cases summarized earlier even mentions the possible limitation of B&B Hardware to issues where the TTAB and the court would evaluate the parties' usages of their marks.

And if courts remain willing to confer lengthy time periods for when issue-preclusive TTAB decisions remain effective, the potential for erroneous results in trademark disputes many years into the future is evident.

Perhaps it was with the above concerns in mind that Justice Ruth Bader Ginsburg's one-paragraph concurring opinion in B&B Hardware emphasized the statement in the court's opinion that "for a great many registration decisions issue preclusion will obviously not apply."[13]

Lastly, there is a lurking constitutional issue regarding a party's right to a jury trial under the Seventh Amendment. Obviously no juries are empaneled for TTAB proceedings. But is the Seventh Amendment violated when case-dispositive issues eligible for jury consideration are taken away from the jury via TTAB issue preclusion? The court in B&B Hardware deferred that issue for another time, since it was not properly raised in the lower courts: "To the extent, if any, that there could be a meritorious constitutional objection, it is not before us."[14]

Conclusion

From the above review of lower court decisions discussing B&B Hardware, it is clear that the federal trial courts have shown no reluctance to extend the Supreme Court's issue preclusion holding to other dispositive issues in trademark proceedings. We did not find any case in which a federal court rejected a request to apply B&B Hardware to an issue when "the other ordinary elements of issue preclusion are met."

Thus the cases following B&B Hardware have, if anything, opened the door wider to granting preclusive effect to TTAB rulings on many other substantive and at times dispositive issues in trademark disputes. Our view is that B&B Hardware should be, and in fact is, limited to the likelihood of confusion issue and to when the TTAB has adjudicated the parties' usages of their marks.

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[1] B&B Hardware, Inc. v. Hargis Indus. Inc., 575 U.S. 138 (2015) (Alito, J., for the majority in a 7-2 decision).

[2] Id. at 138.

[3] In a previous IP Law360 article, co-author Krechevsky argued that the B&B Hardware

decision empowered the Trademark Examination Branch of the USPTO as well as the TTAB to consider all 13 likelihood of confusion factors enunciated in the seminal case of In re E.I. Dupont DeNemours & Co., 476 F.2d 1357 (CCPA 1973), and that the DuPont decision itself requires the USPTO to consider all 13 factors when of record. See C. Krechevsky and T. Mango, Giving DuPont Its Due: How B&B Hardware Empowers the TTAB, IP Law360 Article, published April 10, 2015. Those aspects of the B&B Hardware decision are not within the scope of the present article.

[4] See Ashe v. PNC Financial Services Group, Inc., 165 F. Supp. 3d 357 (D. Md. 2015), dismissed,647 Fed. Appx. 156 (4th Cir. 2016),on reh'g,652 Fed. Appx. 155 (4th Cir. 2016).

[5] 575 U.S. at 141.

[6] See Nationstar Mortgage, LLC. v. Mujahid Ahmad and Nationstar Mortgage, Inc., 155 F. Supp. 3d 585 (E.D. Va. 2015).

[7] See Cesari SRL v. Peju Province Winery LP et al., Case No. 1:17-cv-00873 (S.D.N.Y. December 11, 2017).

[8] Id.

[9] See In the Matter of Certain Pers. Transporters, Components Thereof, & Packaging & Manuals Therefor & Certain Pers. Transporters & Components Thereof Comm'n Opinion, USITC Inv. No. 337-TA-1007 (U.S. Intern. Trade Com'n Jan. 12, 2018).

[10] Swagway, LLC v. Int'l Trade Comm'n, 934 F.3d 1332 (Fed. Cir. 2019).

[11] Bibiji Inderjit Kaur Puri v. Yogi Bhajan Administrative Trust et al, Case No. CV 11-9503 FMO (SHx) (C.D. Cal. Oct. 30, 2015).

[12] 575 U.S. at 138.

[13] Id. at 150.

[14] Id. at 150, and at 151 (Footnote 2).