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Law Alert

To: Firm Clients and Contacts

From: Niesar & Vestal LLP

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Re: **U.S. Supreme Court Ruling Regarding Preclusive Effect of Cancellation Proceedings**

On March 24, 2015, the U.S. Supreme Court in *B&B Hardware, Inc. v. Hargis Industries, Inc.* ruled that decisions of the Trademark Trial & Appeal Board (oppositions and cancellation proceedings) regarding likelihood of confusion (the underpinning for an infringement action) have a preclusive effect in subsequent district court infringement actions “[s]o long as the other ordinary elements of issue preclusion are met [and] when the uses adjudicated by the TTAB are materially the same as those before the district court.”

What Does This Mean For My Trademarks?

Heretofore one of the major differences between the TTAB’s and District Courts’ approach to likelihood of confusion was that the District Courts focused on marketplace conditions, importantly the real channels of trade of the litigants’ goods or services, whereas marketplace conditions in the TTAB’s approach focused on the goods and services as recited in the litigants’ registrations or applications. While the Court purports to create a new standard, the ruling in *B&B Hardware, Inc.* still gives some opportunity to stress differences in market conditions. In this regard Justice Alito stated:

If a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same

likelihood-of-confusion issue as a district court in infringement litigation. By contrast, if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the market-place usage of the parties' marks, the TTAB's decision should "have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue." (quoting 6 McCarthy §32:101, at 32-246.)

While we will have to see how District Courts will apply this new standard, it is very likely that a TTAB ruling will make it substantially easier for a successful Opposer/Plaintiff to prevail in litigation. Obviously, the same holds true for an Applicant/Defendant. The initial consensus now is that TTAB proceedings will be more expensive and contentious.

Our Recommendations

Given the Court's decision, if you are in the position of an applicant, we recommend that you consider the following:

1. Before committing to filing a new mark, take steps to thoroughly check its availability, generally through a comprehensive search. Bear in mind that oppositions and cancellation actions can be brought by parties who have used their marks, but not registered them, meaning that even though you may have filed and/or registered your mark first, you remain vulnerable to a party who may have used its mark in commerce first.
2. When filing an application, consider using a narrow and specific description of your goods and services. Here are two examples of narrower descriptions in actual registrations: "Vegetables, namely, frozen fried potatoes, namely, frozen french fried potatoes, frozen shredded hash brown potatoes, and frozen chopped and formed potato products, **sold only to food service distributors**" and "Software, namely, computer and mobile device software for inputting and compiling web-based, mobile, in-person, bar-code, and desktop product order and sales information, purchase order processing, sales invoicing, inventory management, enterprise resource planning, and product sales status and order status tracking, **sold only through direct purchase from the trademark owner.**"
3. In most instances, before an opposition is commenced, the opposing party will ask for an extension of time to oppose. During the extension period you should consider whether or not to further narrow your goods or services. This can be done after an opposition is filed, but only by motion.
4. Most oppositions are settled. If an opposition is filed, a serious attempt should be made to settle.

5. If an opposition is filed: (i) a thorough evaluation should be made as to the likelihood of success in the opposition, (ii) the full cost of the opposition should be developed and (iii) the consequences of an adverse decision in a subsequent district court action, for example the likelihood of an award of damages and/or an injunction, should be evaluated.
6. If you lose the opposition, consider appealing to the Court of Appeals for the Federal Circuit or bringing an action (an alternative appeal method) in the District Court for the District of Columbia.

These suggestions apply to parties that are being opposed and are potential defendants. If you are in the position of an Opposer or a Plaintiff, one of the key elements to consider is whether or not you would be better off starting an infringement action or filing an opposition. In some cases, where there has been no use of the mark being opposed, your only option will be an opposition. If the mark is in use, both avenues will be available to you. While an opposition is generally cheaper than a law suit, it will take upwards of 18 months to conclude. You may get quicker relief in a law suit.

We stand ready to discuss these strategies and others and would be happy to answer any questions you may have.

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