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A Whole New Ball Game: Implications for Brand Owners of Proposed Rule Changes in the TTAB and the Actual Effects of the Supreme Court's Decision in *B&B Hardware* One Year Later

Christina Davidson Trimmer, Associate | ctrimmer@slk-law.com | 704.945.2151

Trademark litigation has recently undergone, and continues to undergo, a number of important changes that may significantly affect the strategy of corporate counsel and trademark practitioners in managing these types of actions.

The Trademark Trial and Appeal Board (TTAB) is the administrative tribunal that typically decides issues of trademark registrability, while trademark infringement actions are decided by federal courts. Historically the effects of TTAB decisions have been fairly limited – it has no power to award monetary damages, injunctions, or monetary sanctions. The TTAB is generally viewed as a less expensive venue to litigate trademark disputes. However, recent case law and proposed rule changes may change how trademark litigants approach their case.

B&B Hardware Effects After One Year

Last year, the U.S. Supreme Court held in *B&B Hardware v. Hargis Industries*, that a finding of likelihood of confusion by the TTAB had preclusive effect in subsequent federal court litigation. This holding increased the stakes in TTAB proceedings, with potentially drastic implications: what has traditionally been a federal administrative tribunal focused on abstract comparisons of the marks at issue and the goods and/or services recited in the applications and registrations now may have preclusive effect over Article III courts determining how the goods and services are actually used in the marketplace.

Over the past year, *B&B Hardware* has been applied to decisions of other administrative tribunals in areas such as immigration, education, and employment law. With respect to trademark actions in federal court, the preclusive effect of TTAB decisions has not only been applied to the issue of likelihood of confusion, but also extended to the issues of priority of use and fraud on the U.S. Patent and Trademark Office. On the other hand, the TTAB has remained consistent with its prior rulings, maintaining its limited purview to the issue of registrability and excluding extrinsic evidence of actual use in the marketplace. Instead, the TTAB continues to make its determinations regarding the relatedness of the goods and services as they are identified in the registrations and applications.

New Rule Proposals for the TTAB

Following the ruling in *B&B Hardware*, concerns were raised about the likelihood of TTAB proceedings becoming more complicated and expensive, with the parties potentially seeking a broader scope of discovery. Perhaps in response, the USPTO issued a notice of proposed rule changes to the TTAB Rules of Practice on April 4, 2016, requesting comments by June 3, 2016. This is the first proposed major rule changes since 2007. The most significant proposed rule changes include:

1. *Complete switchover from paper to electronic*. Well over 95 percent of filings are already submitted to the TTAB using the Board's electronic filing system, ESTTA. For the few remaining practitioners still making submissions by paper, this rule would now require a change to electronic filing as well as require the parties to serve all other documents by email.
2. *Streamline discovery and pretrial procedure*. The proposed rules adopt the 2015 amendments to the Federal Rules of Civil Procedure by codifying the concept of "proportionality" in discovery. The parties can agree to limit discovery, by time or number of requests, or even eliminate it altogether.
3. *Testimony by affidavit*. The proposed rules allow parties unilaterally to take testimony by affidavit or declaration, with the right for oral cross-examination. This is perhaps probably the most significant of the proposed changes, and the most likely to create problems. It is a strict departure from federal court procedure, and may be particularly concerning in light of the increased importance of TTAB proceedings following *B&B Hardware*.

Practical Effects

As a strategic matter, TTAB plaintiffs are faced with the same decision they always had – whether to institute a TTAB proceeding or head straight for district court. The difference now is that if a TTAB proceeding starts to go south for either party, that party is more likely to take an escape hatch. In other words, to avoid an adverse final judgment in the TTAB, which may have preclusive effect on the federal district court in a subsequent trademark infringement action, the TTAB litigant may choose to file an infringement action or declaratory judgment action in federal district court, likely staying the TTAB proceeding. This inevitably increases the costs for both parties.

TTAB litigants should now also consider discovery related to marketplace use of their mark. If the proposed rule for affidavit testimony goes into effect, proffered evidence of marketplace use will likely increase; however, at this point, the Board is not likely to consider it. If the litigant develops a strong evidentiary record, though, it may become relevant to the preclusive effect in subsequent federal court litigation. In other words, because *B&B Hardware* is limited to instances where the marketplace usage is the same as the goods and services claimed in the application/registration, the record should demonstrate that marketplace usage is the same as the goods and services claimed in the application/registration.

The flipside of that is whether and to what extent a TTAB litigant wishes the Board to consider marketplace evidence. If the competing marks and goods and services claimed in the application/registration are more similar than the actual use of the competing marks in the marketplace, the TTAB litigant may wish to limit marketplace discovery as irrelevant to increase its chances of prevailing before the Board.

Conclusion

It is now more important than ever for brand owners to take TTAB proceedings seriously and discuss with their trademark attorney what strategy is best suited for their case. We will continue to monitor these potential changes to the Trademark Rules.