No. 13-352

IN THE
Supreme Court of the United States

B&B HARDWARE, INC.,
Petitioner,

v.

HARGIS INDUSTRIES, INC.,
D/B/A SEALTITE BUILDING FASTENERS,
D/B/A EAST TEXAS FASTENERS, ET AL.,
Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Eighth Circuit

REPLY BRIEF FOR PETITIONER

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December 5, 2013

RULE 29.6 STATEMENT

The Rule 29.6 statement included in the petition for a writ of certiorari remains accurate.

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REPLY BRIEF FOR PETITIONER

The Eighth Circuit refused to apply issue preclusion for a simple reason: it thought that "likelihood of confusion" in the TTAB was a different issue from "likelihood of confusion" in infringement proceedings. It essentially regarded the TTAB decision as applying a different Lanham Act, because the TTAB weighed the likelihood-of-confusion factors differently than the Eighth Circuit would. That conclusion is unsustainable.

Respondent does not meaningfully defend the Eighth Circuit's reasoning. Instead, respondent offers three rationales in support of the judgment. First, respondent suggests that "likelihood of confusion" before the TTAB is *never* the same issue as "likelihood of confusion" before a district court, because the nature of the proceedings is so different. *E.g.*, Opp. 2, 5-6, 22, 28. If that were correct, the federal courts would never apply issue preclusion between TTAB and district court proceedings. Yet the Federal, Third, and Seventh Circuits have done just that. The McCarthy treatise that respondent cites (Opp. 5, 22) makes absolutely plain that "collateral estoppel is appropriate" based on a TTAB decision. 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 32-101, at 32-247 (4th ed. Supp. 2013). No court has held that the issues are *per se* too different to justify preclusion.

Second, respondent contends that even if the issues before the TTAB and a district court *sometimes* are the same, they were not the same *in this case* because, respondent says, the TTAB did not take into

account the "marketplace context." But both the panel majority and dissenting Judge Colloton stated just the opposite—that the TTAB *did*, in fact, consider the marketplace context. The majority rejected preclusion nonetheless. The Seventh Circuit, too, has squarely rejected an argument that the TTAB's analysis was too narrow in scope to allow preclusion.

Third, respondent argues that a more flexible form of preclusion applies to agency decisions. That brand-new argument does not help respondent here: respondent's cases pertain only to whether an agency may choose not to treat *its own decision* as preclusive *in future agency proceedings*. Here, the TTAB plainly would treat its own finding as preclusive. No principle of administrative flexibility allows a court to refuse to do the same. Notably, respondent does *not* renew the argument that it unsuccessfully made below (and that two other courts of appeals have erroneously accepted), *i.e.*, that TTAB decisions are not preclusive, *period*, because an agency is not a court.

Even the two circuits that reject preclusion have, for many years, required deference to TTAB findings. Here, far from according any deference, the district court instructed the jury that the TTAB proceedings were irrelevant. That mistake infected the outcome of the trial—a trial that issue preclusion should already have barred.

I. Respondent Ignores The Federal Circuit's Rule: The TTAB And District Courts Bind Each Other When They Address The Same Issue

Issue preclusion is not a one-way street. If "likelihood of confusion" means the same thing before the

TTAB and a district court, then issue preclusion applies when *either one* of those tribunals has decided the issue. Preclusion can work in either direction, if the issue is the same, or neither, if the issue is different.

The decision below creates a circuit conflict that disrupts that symmetry. As the petition explains (at 14-17), the TTAB often concludes that it faces the same "likelihood of confusion" issue that a district court has already decided, so it applies issue preclusion. That obviously conflicts with the Eighth Circuit's holding that the TTAB actually does *not* decide the same "likelihood of confusion" issue, Pet. App. 7a, 8a—not even when the TTAB examines evidence of marketplace context, as the Eighth Circuit acknowledged the TTAB did in this case. *See id.* at 9a, 10a.

Respondent does not meaningfully respond to this point. It does not discuss the 40 years of decisions by the Federal Circuit, its predecessor court, and the TTAB concluding that the same "likelihood of confusion" issues were presented to a court and to the TTAB. *See* Pet. 14-16. Respondent does not even *cite* either the most relevant Federal Circuit authority, *Mother's Restaurant Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566 (Fed. Cir. 1983), and *Midland Cooperatives, Inc. v. Midland Int'l Corp.*, 421 F.2d 754 (C.C.P.A. 1970), or the TTAB's precedent.

Instead, respondent merely states: "For every decision that finds a likelihood of confusion finding preclusive, there is a case that finds a likelihood of confusion finding not preclusive." Opp. 21 (citation omitted). If the caselaw were as haphazard as respondent suggests, it would make the case for certiorari *stronger*, not weaker. But respondent is simply

incorrect. Of the two Federal Circuit decisions that respondent does repeatedly cite (Opp. 1, 2, 3, 6, 22), one directly supports B&B's position, and the second is irrelevant.

As B&B has explained (Pet. 16), in the first case respondent cites, the Federal Circuit rejected *claim* preclusion but remanded for the TTAB to consider *issue* preclusion, precisely because a judicial finding of likelihood of confusion "will allow issue preclusion to operate, if the issues are indeed identical." *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1365-66 (Fed. Cir. 2000).[1]

The other decision had nothing to do with "differences" between TTAB and district court proceedings, as respondent would have it (Opp. 5-6). Rather, issue preclusion did not apply because the *facts had changed* since the earlier decision. *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229, 1233, 1234 (Fed. Cir. 2005) (referring to "significantly" and "materially changed marketing practices . . . after the district court's judgment"). Here respondent has never identified any such change.

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[1] Respondent's misreading of *Jet* is consistent with its wrong-headed emphasis on differences between TTAB and district-court proceedings. Unlike claim preclusion, *issue* preclusion can apply even when the causes of action are quite different. *See, e.g.*, *Allen v. McCurry*, 449 U.S. 90 (1980) (state criminal prosecution and federal Section 1983 action); *Kremer v. Chem. Constr. Corp.*, 456 U.S. 461, 479-80 (1982) (state administrative proceeding and federal Title VII action). What matters is that the same underlying issue is crucial to both causes of action. *See, e.g.*, *Mother's Restaurant*, 723 F.2d at 1569 (state court's finding on "likelihood of confusion" under state law was issue-preclusive in TTAB proceedings).

The direct conflict between the Federal Circuit and the Eighth Circuit on this basic issue—do the two tribunals decide the same question, or different questions?—warrants this Court's review. By failing even to *address* the key appellate precedents governing preclusion before the TTAB, respondent has effectively conceded the basis for certiorari.

II. Respondent Fails To Explain Away The Conflict Among The Regional Courts Of Appeals

This case would present a circuit conflict even notwithstanding the Federal Circuit. Respondent contends that the decision below is consistent with the Second Circuit's approach, but the reason respondent gives is squarely refuted by the panel majority itself. Two other regional circuits have applied preclusion on facts like these. And two more hold that the TTAB's decisions can *never* be preclusive. Respondent does not defend the latter courts' reasoning or dispute that their outlier position exacerbates the circuit split.

The Eighth Circuit acknowledged, twice, that the TTAB *did* consider the marketplace context. Pet. App. 9a, 10a. Judge Colloton agreed. *Id.* at 18a (dissenting opinion). Yet the Eighth Circuit denied preclusion even though that consideration is enough to *trigger* preclusion under the Second Circuit's approach: "[W]here the [TTAB] has indeed compared conflicting marks in their *entire marketplace context*, the factual basis for the likelihood of confusion issue is the same, the issues are the same, and collateral estoppel is appropriate." *Levy v. Kosher Overseers Ass'n of Am.*, 104 F.3d 38, 42 (2d Cir. 1997) (quoting

the McCarthy treatise). Examining the "entire marketplace context" means doing more than "rely[ing] solely on a visual examination of the two marks." *Id.*; *see* Pet. 21-22 (citing cases). The TTAB did far more than that here. Pet. App. 57a-70a.

The Seventh Circuit held that a similar examination by the TTAB was enough to justify preclusion, and it expressly rejected the notion that the TTAB's examination "was unduly limited." *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 378-79 (7th Cir. 1984). When the TTAB examines "the channels through which the products were marketed," and other relevant evidence of marketplace context, it decides the same issue as the district court and precludes future relitigation, the Seventh Circuit concluded. *Id.* at 379. The Third Circuit, too, has treated a TTAB decision as preclusive based on an even more modest examination of the market. *See Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 247 (3d Cir. 2006).[2]

The decision below, by contrast, denied preclusion not because the TTAB failed to consider the marketplace-related factors, but because it *found them outweighed* by other factors. Pet. App. 10a (disagreeing with the TTAB's "greater emphasis" on other factors). That mode of analysis, as Judge Colloton recognized, "is tantamount to holding that a finding of

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[2] Respondent attempts (Opp. 23) to dismiss the Third and Seventh Circuit decisions as turning on other aspects of preclusion. But both decisions scrutinized exactly what the TTAB examined and decided. *See Jean Alexander*, 458 F.3d at 254 (examining what was "actually litigated"); *EZ Loader*, 746 F.2d at 378-79. They certainly refute any notion that the two tribunals necessarily decide different issues.

the [TTAB] on likelihood of confusion will never be preclusive in an infringement action." *Id.* at 18a. Indeed, the TTAB will *regularly* exhibit "modest differences in analytical approach" (*id.* at 17a) from the Eighth Circuit. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Calif. L. Rev. 1581, 1599 tbl.1 (2006) (displaying variations in likelihood-of-confusion tests). Thus, if this Court does not intervene, the Eighth Circuit will continue to treat the TTAB as effectively applying a different Lanham Act.

III. "Flexibility" Does Not Justify Denying Preclusion

The TTAB's status as an administrative tribunal does not make its decisions any less binding on the parties. Pet. 32-34. The court of appeals did not accept respondent's argument that TTAB decisions cannot ever be preclusive, *see* Pet. App. 7a, and respondent no longer advances that contention. *Compare* Opp. 29-30 *with* Pet. App. 28a *and* Resp. C.A. Br. 12-13.

Instead, respondent adopts a brand-new mantra: that preclusion requires extra "flexibility" in the administrative context. Opp. 24-25, 29, 30, 31. But every case respondent cites involves an *agency* stating that its own decision was not preclusive *in subsequent agency proceedings*. But the TTAB unquestionably *would* treat its own decision as issue-preclusive. *See, e.g.*, *Jean Alexander*, 458 F.3d at 247 (TTAB held that its likelihood-of-confusion finding in a cancellation proceeding could not be relitigated in a subsequent opposition proceeding).

None of respondent's cases even remotely suggests that the *courts* may ignore an administrative tribunal's decision where the tribunal itself would treat its decision as binding. The principle of finality "holds true when a court has resolved an issue, and should do so equally when the issue has been decided by an administrative agency . . . which acts in a judicial capacity." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).[3]

IV. The Failure To Defer To The TTAB's Findings Is Independently Certworthy

Below, B&B argued in the alternative that the TTAB's decision was entitled to a strong form of deference—that respondent could prevail only if the factfinder concluded with "thorough conviction" that the TTAB had erred. B&B C.A. Br. 25; *see id.* at 23-28. As respondent admits (Opp. 26, 33), the Fifth and Eleventh Circuits have adopted that "thorough conviction" standard, by analogizing to the context in which a district court reviews a TTAB decision directly, pursuant to 15 U.S.C. § 1071(b). *See* Pet. 23-24. In this case, by contrast, the Eighth Circuit rejected that form of deference *solely because* this case does not involve direct review of a TTAB decision. *See* Pet. App. 12a ("Here, no one is contesting the TTAB's decision to deny [respondent's] registration of its mark under section 1071(b).").

Respondent attempts to brush off the resulting circuit conflict as limited to the "context" of this case,

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[3] Respondent's assertion that the TTAB can render advisory opinions (Opp. 30-31) is a pure straw-man: the TTAB proceedings here involved adverse parties, and preclusion doctrine already addresses cases where an issue is not actually litigated.

and to suggest that perhaps the Eighth Circuit might someday "entertain a deference argument in this [same] setting." Opp. 26. But the Eighth Circuit spoke plainly: this proceeding does not involve a direct appeal of a TTAB ruling, so no deference was due. Pet. App. 12a. The two other circuits, by contrast, see the two tasks—reviewing a TTAB decision on direct appeal and in subsequent infringement proceedings—as analogous. That is why they give deference in precisely this context.

Respondent falls back on the assertion that it would have prevailed even if the jury had applied the "thorough conviction" standard. Opp. 26-27. That contention fails. The jury was never instructed on that standard, which would have required respondent to rebut the TTAB's conclusion instead of requiring B&B to prove likelihood of confusion afresh. To the contrary, the district court instructed the jury that "what you are having to decide does not have *anything to do with* all that litigation [before the TTAB] that went really kind of back and forth." Trial Tr. ("Tr.") 265 (emphasis added); *see* Tr. 1393. And the district court told counsel not "to say [to the jury] that the TTAB found likelihood of confusion." Tr. 1227. Respondent's statement that the court "instructed the jury on the TTAB proceedings," Opp. 10, obscures what those instructions actually said. In light of those instructions, the verdict gives *no* indication that respondent could prevail under a "thorough conviction" standard.

The Eighth Circuit never suggested that deference would not affect the verdict. Indeed, a "misplacement of the burden of persuasion" is just the sort of error that is regularly held prejudicial standing

alone. 9C Charles Alan Wright et al., *Federal Practice & Procedure* § 2558, at 156-62 (3d ed. 2008); *see, e.g.*, *Todd v. Ortho Biotech, Inc.*, 175 F.3d 595, 598-99 (8th Cir. 1999) (ordering retrial where jury was never instructed on a key defense and "the present record does not reveal whether a reasonable jury could have found for [the defendant] on [that] defense").

A reasonable jury, applying deference, would easily have found for B&B. The record shows (among other things) that respondent had used an Internet domain name containing B&B's mark (www.sealtight.biz) to redirect traffic to its own website, Tr. 789-90, and that respondent had received inquiries from customers looking for B&B's products. Tr. 791-96. Respondent misleadingly asserts (Opp. 13) that there was no first-hand testimony *from customers*, but B&B amply proved the point through first-hand testimony from *respondent's own general manager*, who had dealt personally with a confused customer, as well as through respondent's business records. Tr. 780, 793, 796.

If this Court were to reverse, respondent could renew its harmless-error argument on remand. *See, e.g.*, *Staub v. Proctor Hosp.*, 131 S. Ct. 1186, 1194 (2011); *Meacham v. Knolls Atomic Power Lab.*, 554 U.S. 84, 102 (2008) (remanding question whether misapplication of burden of persuasion was harmless). But that bare possibility is no reason to deny review of a cert-worthy and entrenched circuit conflict.

V. Respondent Does Not Dispute The Error In The Eighth Circuit's Burden-Shifting Rationale

As for the Eighth Circuit's supposed alternative holding, respondent does not defend it. The Eighth Circuit misunderstood TTAB procedure in suggesting that the TTAB had decided merely that *respondent* had "[f]ail[ed] to carry the burden of persuasion." Pet. App. 10a (citation omitted; first brackets in original). In fact, *B&B* bore the burden of persuasion before the TTAB just as it did in district court. Pet. 30-31.

Respondent silently concedes that point. *See* Opp. 33-35.[4] The Eighth Circuit's supposed alternative ground for decision is thus no longer in the case.

Instead, respondent attempts to advance a *different* alternative ground, suggesting that B&B cannot benefit from preclusion if it had "a *significantly* heavier burden" in district court than before the TTAB. Opp. 33-34 (quoting *Restatement (Second) of Judgments* § 28(4) (1982)) (emphasis added). But even as respondent portrays it, B&B's burden was not *significantly* different (on the order of the difference between clear-and-convincing and a preponderance). The difference between a tie and a preponderance is, literally, as close to zero as is mathematically possible. Respondent cites no case treating that difference as "significant." And if respondent were right,

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[4] Indeed, in quoting the Restatement, respondent delicately omits any reference to situations "where the burden has shifted." *Compare Restatement (Second) of Judgments* § 28(4) (1982) *with* Opp. 33-34.

Jean Alexander would have come out the opposite way. *See* Pet. 31.

In any event, the TTAB's recitation of its doubts-favor-the-opposer rule had no impact here. *Id.* The TTAB includes that boilerplate language in dozens of likelihood-of-confusion decisions every year;[5] that does not signal that every one of those proceedings ended in equipoise. B&B proved its case by a preponderance of evidence.

* * * * *

After one full and fair round of litigation, a specialized tribunal found that consumers would likely confuse "Sealtite" fasteners with "Sealtight" fasteners. Respondent could have appealed that determination, but did not. Instead respondent managed to obtain exactly what numerous other circuits would have denied it: a do-over before a lay jury. Remarkably, it even managed to impose a six-figure *penalty* on B&B for bringing a case B&B had already won. *See* Pet. 8. This Court should grant review to make clear that the Eighth Circuit was wrong, and the TTAB and the Federal, Second, Third, and Seventh Circuits have it right: once *either* a district court or the TTAB finds likelihood of confusion after considering the marketplace context, preclusion prevents the losing litigant from relitigating that same issue in another forum.

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[5] A search for the word "doubt" in TTAB opposition and cancellation decisions amply demonstrates that point. *See generally* http://e-foia.uspto.gov/Foia/TTABReadingRoom.jsp.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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