Issue Preclusion in Trademark Actions

A recent decision of the Supreme Court of the United States has raised concerns in the U.S. with respect to the application of the issue preclusion doctrine concerning findings made by the Trademark Trial and Appeal Board ("TTAB").

The Facts

Hargis Industries, Inc. ("Hargis") applied to register the trademark SEALTITE in the United States. B & B Hardware, Inc. ("B & B") opposed the application claiming that the applied-for trademark was confusing with B & B's SEALTIGHT trademark. The TTAB concluded that the applied-for mark should not be registered because there was a likelihood of confusion. Hargis did not seek judicial review of that decision.

Later in an infringement action in the courts brought by B & B against Hargis, B & B argued that Hargis was precluded from contesting the likelihood of confusion because of the TTAB's decision. The trial court disagreed, but when the issue made its way to the Supreme Court of the United States it was found that issue preclusion should apply.

It seems that the primary reason for reaching this conclusion was that both the TTAB and the trial court were applying the same standard as to the likelihood of confusion. There was a strong dissent in this case which said the TTAB is an administration tribunal with limited jurisdiction to decide who is entitled to a registration with no right to stop anyone from using a mark. In addition, a TTAB decision can be appealed to the courts and reviewed on a *de novo* basis. These facts suggest that issue preclusion should not apply.

It seems the U.S. doctrine of issue preclusion is a more modern name for the common law concept of estoppel. This doctrine prevents a person from re-litigating an issue which has been finally determined.

The Canadian Position

This issue has not gone to the Supreme Court of Canada but the Federal Court of Appeal has taken a position different to that taken by the Supreme Court of the United States. In a decision decided in 2005 the plaintiff had successfully opposed the registration of a trademark by the defendant in a proceeding before the Trademarks Opposition Board on the basis that the applied-for mark was confusing with the plaintiff's mark. An appeal to the Federal Court from that decision was discontinued for unrelated reasons.

Despite the fact that the defendant lost in the opposition they continued to use the disputed mark and the plaintiff brought an action in the Federal Court. After a lengthy trial, the trial judge dismissed the action on the basis that the marks were not confusing.

The plaintiff appealed to the Federal Court. On the appeal it was contended that the decision of the Trademark Opposition Board refusing to register the trademark on the basis it was confusing should have been given more weight by the trial judge. The Federal Court of Appeal found that the trial judge was not bound by the decision of the Opposition Board. While the decision of the Opposition Board should be considered, the weight, if any, it should be given was a merely a surrounding circumstance in the overall decision made by the trial judge.

The burden of proof was different, in that the onus in an opposition is on the applicant to show that there is not a reasonable and likelihood of confusion, while in an action in the Federal Court the onus of proof is on the plaintiff to prove its case. There was different evidence presented in a different way. In a court proceeding, the evidence is given personally by individuals. In an opposition, evidence is presented by way of affidavit. As a result, it was open to the trial judge to give little weight to the decision of the Opposition Board.

The Court said that the Canadian legal system was not a stranger to different outcomes arising out of the same factual situation where different issues are at stake and different evidence was introduced.

Comment

While practitioners in Canada can take some reassurance from the decision of the Federal Court of Appeal in cases where issues are being re-litigated in the Federal Court there is significant uncertainty. First, the weight the trial judge will give to the Board's decision is unknown. Second, the Federal Court in statutory appeals from the Board regularly gives deference to the Board's decisions as a result of its special expertise in trademark matters.

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