

No. 13-352

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IN THE  
**Supreme Court of the United States**

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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

\_\_\_\_\_  
**SUPPLEMENTAL BRIEF FOR RESPONDENTS**

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES.....	ii
INTRODUCTION.....	1
ARGUMENT .....	3
I. EVERY COURT AND ADMINISTRATIVE BODY TO HAVE ADDRESSED PRECLUSION IN THE PAST TWENTY- FIVE YEARS HAS APPLIED THE STANDARD APPLIED BY THE COURT OF APPEALS.....	3
II. THE COURT OF APPEALS' DECISION WAS CORRECT.....	9
CONCLUSION .....	14

## TABLE OF AUTHORITIES

	Page
<b>CASES:</b>	
<i>American Heritage Life Ins. Co. v. Heritage Life Ins. Co.</i> , 494 F.2d 3 (5th Cir. 1974) .....	7
<i>Checkpoint Sys., Inc.</i> , Opposition Nos. 102,309; 105,259, 2002 WL 1181046 (TTAB May 31, 2002).... <i>passim</i>	
<i>Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.</i> , 104 F. Supp. 2d 427 (D.N.J. 2000), <i>aff'd</i> , 269 F.3d 270 (3d Cir. 2001) .....	5
<i>FirstHealth of Carolinas, Inc. v. CareFirst of Md., Inc.</i> , 479 F.3d 825 (Fed. Cir. 2007) .....	4, 6
<i>Flavor Corp. of Am. v. Kemin Indus., Inc.</i> , 493 F.2d 275 (8th Cir. 1974) .....	8
<i>Freedom Sav. &amp; Loan Ass'n v. Way</i> , 757 F.2d 1176 (11th Cir. 1985) .....	7
<i>Jet, Inc. v. Sewage Aeration Sys.</i> , 223 F.3d 1360 (Fed. Cir. 2000) .....	5, 6
<i>Jim Beam Brands Co. v. Beamish &amp; Crawford Ltd.</i> , 937 F.2d 729 (2d Cir. 1991) .....	<i>passim</i>
<i>KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.</i> , 543 U.S. 111 (2004) .....	2

## TABLE OF AUTHORITIES—Continued

	Page
<i>Levi Strauss &amp; Co. v. Abercrombie &amp; Fitch Trading Co.</i> , 719 F.3d 1367 (Fed. Cir. 2013).....	4, 5, 7
<i>Levy v. Kasher Overseers Ass’n of Am., Inc.</i> , 104 F.3d 38 (2d Cir. 1997).....	6, 7, 9
<i>Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.</i> , 424 F.3d 1229 (Fed. Cir. 2005).....	4
<i>Mayeske v. Int’l Ass’n of Fire Fighters</i> , 905 F.2d 1548 (D.C. Cir. 1990).....	10
<i>Smith v. Bayer Corp.</i> , 131 S. Ct. 2368 (2011).....	9, 10
<b>OTHER AUTHORITIES:</b>	
4A L. Altman & M. Pollack, <i>Callman on Unfair Competition, Trademarks, and Monopolies</i> § 26:28 (4th ed. 2014).....	12, 13
6 <i>McCarthy on Trademarks</i> § 32:101 (4th ed. 2014).....	9
18 C. Wright, A. Miller, & E. Cooper, <i>Federal Practice &amp; Procedure</i> § 4417 (2d ed. 2014) .....	9, 10

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**SUPPLEMENTAL BRIEF FOR RESPONDENTS**

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**INTRODUCTION**

The United States has submitted a brief ostensibly in favor of certiorari that reads like one in opposition. It observes that the issue presented “does not appear to arise frequently” and counsels that “this Court’s review is not imperative at this time.” U.S. Br. 18, 22. Nor does the United States find a circuit split to write home about; instead, it notes “slight[] differen[ces]” between the standards of two circuits, one of which has no authority to address the question presented, *id.* at 19; acknowledges that two others have not applied their precedents “recently,” *id.* at 21; and rejects one of the principal splits relied on by the petition, *id.* at 21-22.

And the United States cautions that if this Court attempts to apply a legal standard “to the facts of this case,” the Court “might encounter difficulty in discerning from the record precisely” what the two prior proceedings entailed. *Id.* at 22-23.

All this hemming and hawing gainsays the United States’ suggestion that this case should be granted.

The best the United States can say is that review “would help to clarify the law in this area.” U.S. Br. 18. But the applicable law of issue preclusion is as clear as this doctrine gets: A finding of likelihood of confusion for purposes of trademark registration *may* be accorded preclusive effect in infringement litigation. Or it may not. The answer depends on the factual circumstances of the case—specifically, on the role of actual marketplace usage in the previous determination. *Every* circuit and administrative body to address the issue in the past twenty-five years has adopted this principle.

The court of appeals’ application of that principle to this case was correct. Proof of infringement under the Lanham Act “requires a showing that the defendant’s *actual practice* is likely to produce confusion.” *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (emphasis added). Here, two separate juries, ten years apart, rejected B&B’s claims of trademark infringement. Pet. App. 2a-3a. B&B attempted to overturn those verdicts through a particularly bold offensive collateral estoppel gambit: it asked the courts below to hold that the TTAB’s *registration* decision, which prioritized the two marks’ abstract similarity over their actual use, conclusively established *infringement*—an audacious request

given that the TTAB itself emphasized that B&B was “precluded from enjoining [Hargis] from using its mark” and could only “prevent [Hargis] from registering its mark.” Pet. App. 48a.

The court of appeals correctly rejected that gambit. And every court and administrative body that has addressed this issue would have done the same. Certiorari is not warranted.

### ARGUMENT

#### I. EVERY COURT AND ADMINISTRATIVE BODY TO HAVE ADDRESSED PRECLUSION IN THE PAST TWENTY-FIVE YEARS HAS APPLIED THE STANDARD APPLIED BY THE COURT OF APPEALS.

Before examining what the United States calls “inconsistent approaches” by some courts to preclusion in the trademark context, U.S. Br. 18, it is important to note what the United States does *not* argue. In its petition, B&B characterized the court of appeals’ decision as a categorical bar against preclusion. *See* Pet. 14-17, 26-27. The United States rejects that interpretation. U.S. Br. 10. B&B asserted that the decision below conflicted with decisions by the Third and Seventh Circuits. Pet. 17-20; Reply 6. The United States disagrees. U.S. Br. 21-22. And B&B relied heavily on alleged differences between the court of appeals’ reasoning and TTAB precedent. Pet. 14-17; Reply 3-4. The United States does not cite a single TTAB decision on preclusion.

In fact, when the United States does purport to find “standard[s]” that “appear[] to be slightly different” in the Second and Federal Circuits, it relies on a single case from each circuit. U.S. Br. 18-

19. With such a limited view, appearances can be deceiving. And the United States' omission of any mention of the TTAB's precedent, despite B&B's heavy reliance on it, speaks volumes. When all the relevant decisions are considered, any "slight differences" disappear.

**Federal Circuit/TTAB:** The United States acknowledges that the Federal Circuit has never addressed the question presented; nor can it, given the statutory structure of the Lanham Act. U.S. Br. 18. But to the extent its reasoning is relevant, there is no conflict with the decision below. The Federal Circuit has recognized that "a trademark infringement action in the district court is not automatically of preclusive effect," *Mayer/Berkshire Corp. v. Berkshire Fashions, Inc.*, 424 F.3d 1229, 1232 (Fed. Cir. 2005), and that "the issue of likelihood of confusion in a prior [registration] proceeding" may be "sufficiently different from the issue of likelihood of confusion presented in subsequent litigation such that the Board's finding [would] not have preclusive effect," *FirstHealth of Carolinas, Inc. v. CareFirst of Md., Inc.*, 479 F.3d 825, 828 n.1 (Fed. Cir. 2007). That is because a "product-specific focus in infringement litigation is common." *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1373 (Fed. Cir. 2013).

The United States picks out a quote from *Levi Strauss* denying preclusion *on the facts of that particular case* as if that quote is the standard for issue preclusion. U.S. Br. 18. Not so. The Federal Circuit applies the same inquiry undertaken by the court of appeals below—"whether the issue decided



in the infringement litigation is sufficiently the same as that involved in the [registration] proceeding” for preclusion to apply. *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1366 (Fed. Cir. 2000); *accord* Pet. App. 8a. And, as *Levi Strauss* recognized, the “product-specific focus in infringement litigation” may cause the issues to diverge. 719 F.3d at 1373; *accord* Pet. App. 10a.

Though the Federal Circuit has not applied this standard to a case like this one, the TTAB has. And it reached the same conclusion as the courts below. *Checkpoint Systems, Inc.* involved, as here, two phonetically identical marks used on distinct products sold in different channels of trade. *Checkpoint Sys., Inc.*, Opposition Nos. 102,309; 105,259, 2002 WL 1181046, at \*3-\*4 (TTAB May 31, 2002) (non-precedential opinion). And, as here, the district court concluded that there was no likelihood of confusion because, though the marks were “substantially identical,” “the parties d[id] not market their products through the same trade channels or markets” and “their target customers generally belong[ed] to distinctly different groups.” *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 104 F. Supp. 2d 427, 457, 467 (D.N.J. 2000), *aff’d*, 269 F.3d 270 (3d Cir. 2001); *compare* Pet. App. 33a-38a. The only difference in *Checkpoint* was that the infringement litigation had come first. In the subsequent registration proceeding, the TTAB denied preclusion because “the District Court’s determination of no likelihood of confusion between the parties’ marks (with respect to infringement) was largely predicated on actual market conditions.” *Checkpoint*, 2002 WL 1181046, at \*4.

The TTAB's decision in *Checkpoint* was a straightforward application of Federal and Second Circuit precedent: "the standards and factual inquiries by which likelihood of confusion is judged in an [registration] proceeding 'can be different' from those in an infringement action." *Id.* at \*3 (quoting *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38, 42 (2d Cir. 1997)). When the likelihood-of-confusion analysis "with respect to infringement" is "largely predicated on actual market conditions," *id.* at \*4, the inquiry is different and preclusion inappropriate. That is precisely what happened below. Pet. App. 9a-10a; 33a-38a.

**Second Circuit:** The United States never asserts a conflict between the decision below and the Second Circuit—only that the Second Circuit's standard "appears to be slightly different from the Federal Circuit's." U.S. Br. 19. But like the Federal Circuit and TTAB, the Second Circuit recognizes that the likelihood-of-confusion analysis in registration proceedings and infringement litigation is not necessarily identical. *See Levy*, 104 F.3d at 42; *Jim Beam Brands Co. v. Beamish & Crawford Ltd.*, 937 F.2d 729, 734 (2d Cir. 1991). In fact, every court the United States claims has adopted a different approach cites *Jim Beam* as the appropriate standard. *See* Pet. App. 8a; *FirstHealth*, 479 F.3d at 828 n.1; *Jet, Inc.*, 223 F.3d at 1366; *see also Checkpoint*, 2002 WL 1181046, at \*3. Applying *Jim Beam* in *Levy*, the Second Circuit held that "[f]or a TTAB or Federal Circuit determination of 'likelihood of confusion' to have a collateral estoppel effect in a trademark infringement action, the TTAB or Federal Circuit must have taken into account, in a

meaningful way, the *context* of the marketplace.” 104 F.3d at 42.

The United States opines that the *Levy* formulation is “insufficiently precise” because it “require[s] scrutiny into how ‘meaningful’ the Board’s consideration of the marketplace context was.” U.S. Br. 19. But *Levy* is not imprecise at all: the scrutiny it requires is necessary to determine, under *Jim Beam*, whether actual marketplace usage was “immaterial” to the registration decision or instead played a “meaningful” role. *See Jim Beam*, 937 F.2d at 735.

The Second Circuit thus relies on the same basic principle adopted by the Federal Circuit and TTAB, *see Levi Strauss*, 719 F.3d at 1373; *Checkpoint*, 2002 WL 1181046, at \*4, and applied by the court below, *see* Pet. App. 9a-10a: when actual marketplace usage plays a meaningful role in the infringement—but not the registration—determination of likelihood-of-confusion, preclusion may not be appropriate.

**Fifth and Eleventh Circuits:** In 1974, the former Fifth Circuit held that TTAB decisions can never have preclusive effect due to the Lanham Act’s statutory structure, but should be given deference. *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3 (5th Cir. 1974). In 1985, the Eleventh Circuit reaffirmed that precedent. *Freedom Sav. & Loan Ass’n v. Way*, 757 F.2d 1176 (11th Cir. 1985). The United States concedes that these circuits have “not applied those precedents recently,” but maintains these decisions warrant certiorari because they “remain binding.” U.S. Br. 21. That phrasing is convenient: *no* district court within the Fifth and Eleventh Circuit has *ever*

applied these precedents to the question presented here.

If, after twenty-five years of silence, the issue did arise again, these two circuits might very well revisit their dated precedent, just as the court of appeals did here. *See* Pet. App. 4a-8a (adopting the *Jim Beam* standard and rejecting the categorical preclusion rule of *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974)). Further percolation, or at least *some* percolation, in these circuits is thus more appropriate.

\* \* \* \*

The United States' recommendation of certiorari, such as it is, thus rests on two tenuous branches: (1) the Federal Circuit, which the United States admits has no statutory authority to address the question presented, U.S. Br. 18-19, and in any event applies the same principle as the court of appeals; and (2) the Fifth and Eleventh Circuits, whose "binding" precedent, *id.* at 21, has, in the past twenty-five years, *never* been determinative of the question presented in those circuits. Certiorari is thus not only "not imperative," *id.* at 18; review would waste this Court's resources.

## II. THE COURT OF APPEALS' DECISION WAS CORRECT.

1. The court of appeals correctly concluded that the TTAB's "greater emphasis" on the appearance and sound of the two marks in the registration proceeding and its failure to give actual marketplace usage the "critical" weight required in an infringement proceeding made preclusion inappropriate. Pet. App. 10a. For issue preclusion to apply, the issue decided in the prior proceeding "must be the same as the one presented" to the latter court. *Smith v. Bayer Corp.*, 131 S. Ct. 2368, 2376 (2011). And hornbook preclusion law provides that "issues are not identical if the second action involves application of a different legal standard, even though the factual setting of both suits be the same." 18 C. Wright, A. Miller, & E. Cooper, *Federal Practice & Procedure* § 4417 (2d ed. 2014); accord *Jim Beam*, 937 F.2d at 734.

The United States asserts that "the basic legal standard" is "the same in both a registration proceeding and an infringement action." U.S. Br. 12. But that absolute position is contradicted by every court, administrative body, and commentator, all of which recognize that the standard *may* be different as applied in a particular case. *See, e.g.*, 6 *McCarthy on Trademarks* § 32:101 (4th ed. 2014); *Levy*, 104 F.3d at 41; *see also Checkpoint*, 2002 WL 1181046, at \*5 (clarifying that its denial of preclusion was based not on a "change in circumstances" but "on the different *standard* applied by the District Court") (emphasis added); BIO 5-6.

*Smith v. Bayer Corp.* illustrates the error of the United States' assumption. In *Smith*, this Court

held that a similar issue presented in separate federal and state class action lawsuits—whether common issues of law and fact predominated within the meaning of the nearly identical federal and state class-certification rules—was *not* the same issue. 131 S. Ct. at 2377-79. The two courts addressed “distinct questions” because the federal court regarded the presence of one individualized issue as determinative against predominance, but the state court gave it less weight. *Id.* at 2378-79.

The court of appeals applied the same analysis. It recognized that the TTAB had placed “greater emphasis on the appearance and sound when spoken of the two marks,” while “ignor[ing] a critical determination of trademark infringement, that being the marketplace usage of the marks and products.” Pet. App. 10a. Just as in *Smith*, the different weight the TTAB and district court accorded to actual marketplace usage distinguished the two likelihood-of-confusion determinations. And when “different legal standards \* \* \* masquerad[e] behind similar legal labels” in this way, “preclusion is ‘inappropriate.’” *Smith*, 131 S. Ct. at 2377 (quoting 18 *Federal Practice & Procedure* § 4417); *see also* *Mayeske v. Int’l Ass’n of Fire Fighters*, 905 F.2d 1548, 1553 (D.C. Cir. 1990) (Thomas, J., joined by Ginsburg, R. B., J.) (prior determination that the plaintiff was a *statutory* employee did not preclude consideration of whether she was a *common-law* employee because “the question of control \* \* \* play[ed] a central role” in the latter determination but not the former). The court of appeals’ decision, like *Checkpoint* and *Jim Beam*, thus follows directly from hornbook preclusion law.

2. The United States also claims that the court below “relied on three legally irrelevant factors.” U.S. Br. 15. But it misapprehends the court’s reasoning.

a. The United States suggests that the majority “relied on” the difference between the Federal Circuit’s and Eighth Circuit’s multi-factored tests as a “sufficient basis” to deny preclusion. U.S. Br. 15. But it was not the “different multi-factored standard” that thwarted preclusion, U.S. Br. 10; it was the role actual usage played, or did not play, in each proceeding, Pet. App. 10a.

b. The court of appeals *did* rely on the second “legally irrelevant” factor the United States cites (Br. 15): the weight given to actual marketplace usage in the registration proceeding. As well it should have. That is the governing inquiry in every circuit and the TTAB. *See supra* 3-6. And its conclusion was not mere “disagreement” with the TTAB’s “legal or factual analysis,” U.S. Br. 15; it was the straightforward application of settled preclusion principles, *see supra* 7-8. The court of appeals concluded that the registration standard as applied by the TTAB in this specific case was distinct from the infringement standard. Pet. App. 10a. Accordingly, preclusion was inappropriate.

c. Finally, the United States takes issue with the court of appeals’ separate burden-shifting rationale. U.S. Br. 16. But even B&B recognizes that rationale as an *independent ground* for the decision. Pet. 30-31; Reply 11. If anything, this alternative holding is a reason *not* to grant certiorari because it

independently supports the judgment below. *See* BIO 33-35.<sup>1</sup>

3. In short, the first and third “legally irrelevant factors” (U.S. Br. 15) were just that: irrelevant to the resolution of the issue below, and the question presented here. Granting certiorari to “correct” them would be a futile exercise.

And under hornbook preclusion principles, the second factor—actual marketplace usage—is legally relevant. Indeed, the United States’ proposed standard also relies on this factor, U.S. Br. 22-23, and it urges remand because the Court “might encounter difficulty” in applying that standard to the record below, *id.* Not so. A cursory review of the record makes clear that the United States’ proposed standard would lead to the same result. And a single fact illustrates why: evidence in the district court revealed that, in *actual marketplace usage*, “Hargis always uses the term ‘Sealtite’ in the context of ‘Sealtite Building Fasteners.’” Pet. App. 35a. The TTAB never considered that fact. Nor could it: The question before it was limited to whether the mark “Sealtite,” *standing alone*, created a likelihood of confusion with the mark “Sealtight.” *See* 4A L. Altman & M. Pollack, *Callman on Unfair Competition, Trademarks, and Monopolies* § 26:28 (4th ed. 2014) (in infringement, courts may consider the way marks “actually appear on the goods,” but

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<sup>1</sup> The United States cites an out-of-circuit case to undermine this independent ground, U.S. Br. 16, but the jury below was instructed contrary to that decision. *See* Jury Instruction No. 4, Dkt. 204 (“If, on any issue in the case, the evidence is equally balanced, you cannot find that issue has been proved.”).



registration proceedings are limited to “the marks as registered or presented”).

After a seven-day trial with extensive evidence on actual marketplace usage, a unanimous jury not only found no likelihood of confusion and no infringement, but also found B&B guilty of false advertising and false designation of origin based on its attempts to *fabricate* evidence of confusion in the marketplace. *See* Pet. App. 3a-4a; 13a-14a. Under *any* standard—aside from the absolute rule of preclusion suggested by B&B (Pet. 12-13, 26) but adopted by no court—the TTAB’s likelihood-of-confusion determination, based almost entirely on the phonetic identity of the marks, would not preclude the jury from reaching the result it reached below. This Court should not grant certiorari to resolve a question that is not determinative.

CONCLUSION

The petition for a writ of certiorari should be denied.

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