

## REPORT

**RECENT OPINION HIGHLIGHTS DIFFERENCES IN STANDARDS  
FOR APPEAL OF TTAB DECISIONS****August 30, 2012**

In a comprehensive opinion, the U.S. District Court for the Eastern District of Virginia recently addressed, in *Swatch, S.A. v. Beehive Wholesale, L.L.C.*,<sup>1</sup> the complex standards governing review of Trademark Trial and Appeal Board<sup>2</sup> decisions through a district court proceeding. The case, in which Oliff & Berridge, PLC represented the successful defendant, well illustrates the interplay between the standard of review and the strategic considerations facing litigants who are deciding whether (1) to appeal a TTAB decision to the Federal Circuit or to a district court or (2) whether to challenge an alleged infringer initially before the TTAB or in court, or both. The case also illustrates the hybrid standard of review applicable to review by a district court where new evidence is admitted.

**I. The Context of TTAB Proceedings**

Under U.S. practice, enforceable trademark rights may be based solely on use of a mark. However, there are substantial advantages to registering that mark with the USPTO, which can lead to adversarial proceedings resolved by the TTAB. For example, once a USPTO Trademark Examiner approves a trademark registration for registration, 30 days' notice of that fact will be

published. Anyone believing they will be damaged by the impending registration (such as an owner of a similar trademark registration or a prior common law trademark user) may oppose the application, and the opposition will be resolved by the TTAB. If the potential opposer misses the deadline (as may readily occur if the opposer does not monitor trademark publications), the same issues can still be raised against the issued registration through a cancellation proceeding (at least until the registration achieves "incontestable" status after five years post-registration use, when the issues that can be raised become much more limited). TTAB proceedings are confined to whether a registration should issue or be cancelled, and have no direct effect on a party's ability to use a trademark.

The most common issues raised in opposition and cancellation proceedings are likelihood of confusion and mere descriptiveness. Because the TTAB only assesses the merits of a registration, some aspects of its analysis are based on hypothetical assumptions. The TTAB will ordinarily not concern itself with how the mark is actually being used on real products. It will assume that the application or registration encompasses the full range of goods and/or services identified in the application or registration. For example, if the identification refers to "watches," the TTAB will assume that the mark may appear on any type of watch sold

<sup>1</sup> Civil Action No. 1:11-cv-434, 2012 WL 3578942 (E.D. Va. Aug. 16, 2012).

<sup>2</sup> The Trademark Trial and Appeal Board (TTAB) is part of the U.S. Patent and Trademark Office (USPTO).

August 30, 2012

through any channel of trade that would be normal for watches. It will make no difference to the TTAB if the applicant's/registrant's actual goods are very narrow, such as green waterproof watches exclusively sold in surf shops.

## II. TTAB Appeal Options And Standards

When appealing a TTAB decision of an opposition or cancellation proceeding, the appellant has two options: (1) a direct appeal to the U.S. Court of Appeals for the Federal Circuit, based on the evidentiary record developed before the TTAB, or (2) a civil action in one of the federal district courts (trial courts), which will be subject to a further potential appeal. This choice determines three major aspects of the appeal: (1) the evidence, (2) the law, and (3) the issues decided.

If the appeal is taken to the Federal Circuit, the review is purely appellate in nature: no new evidence may be submitted and the Federal Circuit will evaluate factual findings under a substantial evidence standard of review (i.e., they will be affirmed if they are supported by any substantial evidence in the record). However, if a civil action is filed in a district court, the TTAB trial record will be admitted into evidence, but the parties may add additional evidence to the record.<sup>3</sup> To the extent new evidence is added, the district court makes new factual findings, based on the old and new evidence considered together. Thus, a party appealing to a district court may bolster its case on issues on which it lost before the TTAB.

Another difference between the two options is that the Federal Circuit will apply its own law.

That is the same law that generally governs the TTAB, as all *ex parte* appeals from the TTAB go to the Federal Circuit and the TTAB is bound to apply the Federal Circuit's view of trademark principles. However, district court trademark cases (in contrast to patent cases) are not appealed to the Federal Circuit, but to one of the twelve regional circuit courts of appeal around the country. District courts are bound to apply the law of the circuit in which they are located. While the general outline of trademark principles is similar throughout the country, there are a number of important differences. For example, the circuit courts of appeal all resolve likelihood of confusion issues by using a multi-factor test, but the factors that are considered vary from circuit to circuit, as does the degree of emphasis placed on particular factors. Thus, a party appealing by way of a district court action can select the applicable law.

A further difference between a Federal Circuit appeal and a district court action is that the Federal Circuit appeal will exclusively address the same issue that was before the TTAB: should the applicant receive a registration (based on the details of the application) or should an existing registration be cancelled. Additional issues can be added to a district court suit. It is typical, for example, for the opposer in the TTAB to assert trademark infringement in the district court case. This raises the stakes for the TTAB winner; if the winner loses now, it will lose not only its trademark registration, but its ability to use the trademark in dispute, and it could even be forced to pay damages. This may provide additional leverage supporting a settlement.

## III. SWATCH v. SWAP

Swatch, S.A., owner of the SWATCH mark for watches, challenged Beehive Wholesale, L.L.C.'s application to register its SWAP mark for watch faces and bands in an opposition proceeding filed in February 2006. By the time

<sup>3</sup> This is similar to a civil action in a district court arising from a decision of the USPTO Board of Patent Appeals and Interferences (soon to be the Patent Trial and Appeal Board). See *Kappos v. Hyatt*, 132 S. Ct. 1690 (2012), and *Streck Inc. v. Research & Diagnostic Systems, Inc.*, 659 F.3d 1186 (Fed. Cir. 2011).

August 30, 2012

the matter was resolved by the TTAB in 2011, the three principal issues were (1) whether there was a likelihood of confusion between SWATCH and SWAP, (2) whether the SWAP mark would dilute the distinctiveness of the SWATCH brand, and (3) whether SWAP is merely descriptive of watch faces and bands (the SWAP product line featured interchangeable faces and bands, so that different watch face and band combinations could be assembled by the buyer). The TTAB found in favor of our client Beehive on all three issues.

Swatch brought an appeal by way of a civil action in the U.S. District Court for the Eastern District of Virginia, adding trademark infringement and other claims. While Swatch relied on the extensive record developed before the TTAB, it also added further evidence, in particular about the extent of its own sales. The rulings of the district court gave differing weight to the TTAB determinations of individual issues, depending on the extent to which new evidence was introduced. For example, the TTAB had found that Swatch had not proven that the SWATCH mark was strong. The district court, relying on the new evidence, found that "the strength and distinctiveness of the SWATCH mark weighs in favor of infringement." On the other hand, with respect to issues where there was essentially no new evidence – such as the difference in meaning and appearance between SWATCH and SWAP or the lack of any intent by defendant to confuse the public – the district court adopted the TTAB's findings in favor of Beehive. On other issues (such as mere descriptiveness), the district court affirmed the TTAB's analysis of the evidence, and then independently concluded that new evidence proffered by Swatch either was without probative effect or confirmed a finding against Swatch.

In the end, the district court found against Swatch on all the ultimate issues, including Swatch's claim that a "clock face variant" of the SWAP mark was particularly confusing, a claim

that could not be raised before the TTAB because it was not the form of the mark that Beehive sought to register.

#### IV. Recommendations

When faced with a potentially infringing trademark user who also has a pending trademark application or registration, adversaries should consider multiple factors in deciding whether to bring a TTAB proceeding, a district court infringement suit, or both, including:

1. A TTAB proceeding is normally less costly than an infringement suit, but such proceedings still have a significant cost. Many trademark users, facing significant legal expense, choose to re-brand to avoid such expense.
2. If the trademark user is intransigent, it can be forced to stop using the trademark only through an infringement suit.
3. Whether the available facts are more persuasive under the law of the TTAB or under the law applied in an available district court. For example, absence of actual confusion is given more weight in the Fourth Circuit (our local circuit, which includes the "rocket docket" U.S. District Court for the Eastern District of Virginia) than it is in the Federal Circuit (just across the Potomac River in Washington, D.C.).
4. If the actual scope of use by the alleged infringer (or the opponent) is substantially narrower than the scope of the identification of goods and services in an application or registration, likelihood of confusion may be easier to establish in the TTAB. While that will not control the ultimate infringement issue, a successful TTAB result will likely be dispositive as to factors on which new evidence is not admitted and will likely be given substantial weight as to the ultimate conclusion of infringement.

August 30, 2012

5. Both TTAB proceedings and district court cases can take years to resolve. A standard TTAB schedule is set at the outset of the proceeding, which will provide for resolution within one year. However, motions and other events can substantially delay the progress of TTAB proceedings (as in the 2006 to 2011 SWATCH v. SWAP proceeding). District court speeds vary from district to district. For example, median time to trial for civil cases in the Eastern District of Virginia here in Alexandria is currently 12.8 months, while in New Jersey it is 43.6 months.

Unsuccessful TTAB litigants should consider a number of factors when determining whether to appeal to the Federal Circuit or bring a civil action in a district court, including:

1. To what extent is new evidence available to persuade a district court to make different factual findings?
2. Is speed – or delay – desirable? A Federal Circuit appeal will generally take less than a year. Time to trial in different district courts varies from less than a year to over three years. A district court action may also be followed by a further appeal to a regional circuit court, the length of which can vary substantially.
3. As mentioned above, careful consideration should be given, in light of the specific factual context of the case, to the law of the Federal Circuit as compared to the law of any potentially relevant regional circuits. This factor may also be relevant to the TTAB victor, who

may be able to seek to transfer the case, on jurisdictional, venue or convenience grounds, from the court chosen by the plaintiff to another district court.

4. If the TTAB loser is the senior trademark user, to what extent can additional pressure be brought on a defendant through allegations of trademark infringement in a district court?

5. A Federal Circuit appeal is almost certain to be less costly than a district court action, particularly given that a circuit court appeal may follow any district court decision. The Federal Circuit appeal is based only on the existing record and generally involves only briefs and an oral argument.

\* \* \* \* \*

*Oloff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.*

*This Special Report is intended to provide information about legal issues of current interest. It is not intended as legal advice and does not constitute an opinion of Oloff & Berridge, PLC. Readers should seek the advice of professional counsel before acting upon any of the information contained herein.*

*For further information, please contact us by telephone at (703) 836-6400, facsimile at (703) 836-2787, email at [email@oliff.com](mailto:email@oliff.com) or mail at 277 South Washington Street, Suite 500, Alexandria, Virginia 22314. Information about our firm can also be found on our web site, [www.oliff.com](http://www.oliff.com).*

スペシャル・レポートの日本語版は、英語版の発行後、二週間以内にウェブ・サイトでご覧いただけます。