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Standoff Between the Trademark Trial and Appeal Board (TTAB) and the Federal Courts: What "Houndstooth Mafia" Means for Judicial Authority Over Administrative Agencies

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STANDOFF BETWEEN THE TRADEMARK TRIAL AND APPEAL BOARD (TTAB) AND THE FEDERAL COURTS: WHAT *HOUNDSTOOTH MAFLA* MEANS FOR JUDICIAL AUTHORITY OVER ADMINISTRATIVE AGENCIES

*Matthew S. Chandler**

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I. INTRODUCTION

College football in the South is said to be tantamount to religion.¹ Its popularity in the region is unmatched by any professional sports teams, and many southerners are born and raised into families of college fans dating back generations.² Today, college football is very much a part of Southern culture and identity, with each team possessing its own unique traditions. In the context of merchandise, these traditions make money. As a result, universities will go to great lengths to protect them.

One can hardly think of the University of Alabama's football team without being reminded of its legendary coach Paul "Bear" Bryant. When one hears "Bear" Bryant, the image of the coach pacing the sideline with his famous houndstooth fedora comes to mind. Coach Bryant was not only a winning football coach; he was also a fashion trend-setter at the University of Alabama. Throughout the years of Coach Bryant's coaching tenure and beyond, Alabama fans began regularly wearing houndstooth pattern clothing to football games.³ Today, houndstooth is abundant at Alabama football games. It is probably accurate to say that Southern football fans nowadays, especially fans of teams in the NCAA's Southeastern Conference (SEC), would identify houndstooth patterns or designs as synonymous with the Alabama Crimson Tide. For Alabama fans, houndstooth is considered the "third, and unofficial" team color.⁴ The university has therefore taken advantage of the pattern's local popularity as it now sells an array of team merchandise and game day clothing with the houndstooth design.⁵ With the growing popularity of a pattern symbolizing the team and the university, there comes the need to protect it. The university has responded to this necessity by attempting to restrict the use of the pattern in other business's logos, with mixed results.⁶ The most recent instance of attempting to restrict a company's use of the pattern ignited a legal battle as heated as any contest the Bear ever coached on the football field.

The University of Alabama's lawsuit against Houndstooth Mafia is illustrative of a modern trend of universities initiating lawsuits against those accused of infringing their trademarked material.⁷ Unlike the unrivaled passion for college football and its colorful traditions, this trend is not exclusive to the

¹ Andrew Hall, *College Football: The Pride and Joy of the South*, BLEACHER REPORT (Dec. 6, 2013), <http://bleacherreport.com/articles/1875948-college-football-the-pride-and-joy-of-the-south>.

² *Id.*

³ *The History of Alabama and the Houndstooth Hat*, CAPSTONE REPORT (Mar. 24, 2016), <http://capstonereport.com/2016/03/24/the-history-of-the-alabama-houndstooth-hat/30799/>.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ See John Jennings, *University Trademark Licensing: Creating Value Through a "Win-Win" Agreement*, WORLD INTELLECTUAL PROPERTY ORGANIZATION, http://www.wipo.int/sme/en/documents/uni_trademark_licensing_fulltext.html (last visited Oct. 4, 2017).

South. Universities across the country are increasingly turning to intellectual property (IP) law to protect their images while “generat[ing] income” from the dissemination of their unmistakable “brand[s].”⁸ These goals are oftentimes achieved through licensing agreements with those wishing to sell merchandise with the university’s logos or marks; however, when unlicensed entities use the mark or create a mark which can be easily confused with the university’s mark, they may become liable for infringing on the university’s trademark, absent a fair use defense consistent with the presence of consumer confusion.⁹

Universities execute trademark licensing agreements by granting licenses to certain producers or distributors to create merchandise with their marks.¹⁰ Licensing agreements may be exclusive or nonexclusive and will normally spell out in detail to what extent the licensed agents are authorized to use the mark.¹¹ Perhaps most importantly, it is through trademark licensing agreements that the marks earn money for the universities—in the form of royalties.¹² Standard royalty fees are generally in the range of 8% of sales, but universities will take advantage of their increasing fame to boost overall revenue from these royalties.¹³ Today’s universities, therefore, have a great interest in protecting their marks from infringers in order to maximize profits from their mark’s use.

The interest that universities have in protecting their marks from infringement is demonstrated by the resources they devote to that protection. Universities today commonly have entire departments dedicated to the licensing and protection of their trademarks.¹⁴ It is also a general practice for universities to hire independent licensing firms, which not only assist in the licensing process but also may take a proactive role in fighting infringement or counterfeits.¹⁵ These resources are especially important for major universities with popular sports teams, which stand to lose significant revenue from unlicensed products.¹⁶

⁸ *Id.*

⁹ *Id.* See also *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 121–22 (2004).

Since the burden of proving likelihood of confusion rests with the plaintiff, and the fair use defendant has no free-standing need to show confusion unlikely, it follows (contrary to the Court of Appeals’s view) that some possibility of consumer confusion must be compatible with fair use, and so it is.

¹⁰ Jennings, *supra* note 7.

¹¹ Ryan Gabay, Note, *Sunbeam: A Ray of Hope for Trademark Licensees*, 82 *FORDHAM L. REV.* 245, 253 (2013).

¹² *Id.* at 254.

¹³ See Jennings, *supra* note 7, for a discussion of how the University of Texas increased revenue from royalties following its football NCAA National Championship in 2005.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ See *id.* for a discussion of the prevalence of counterfeiting at major college sporting events such as football and basketball championship games.

The University of Alabama undoubtedly has national fame given its recent streak of football national championships and certainly has an interest in protecting its marks to drive revenue and preserve its brand. Crimson Tide fans have responded to the increase in national fame and popularity by buying and proudly showing off their Alabama merchandise—to include any team marks or clothing in the locally popular houndstooth pattern.¹⁷ In addition to the fans, the university itself has responded to this increase in fame—and therefore revenue—by aggressively initiating legal action against unlicensed vendors using or creating certain marks related to its sports teams.¹⁸ Included in these “infringing” marks (as the university sees them) are marks incorporating the houndstooth pattern—even though the University of Alabama does not own a trademark over the pattern.¹⁹

One such lawsuit has begun a legal fight which has put the relationship between the United States Patent and Trademark Office—specifically the Trademark Trial and Appeal Board (TTAB)—and the federal courts in jeopardy. When the University of Alabama sued Houndstooth Mafia, it initiated a legal battle between administrative agencies and federal courts.²⁰ The ensuing standoff has resulted in a federal court order²¹ which, on the surface, appears to be in direct conflict with a 2015 holding from the United States Supreme Court.²² Because the TTAB has explicitly stated that it is reserving the right to appeal, this standoff is not over.²³

This Note will examine the legal consequences of *Board of Trustees of the University of Alabama v. Houndstooth Mafia Enterprises, LLC*, (N.D. Ala. Feb. 23, 2016). Part II of this Note will discuss the background of the relationship between federal agencies and federal courts—specifically, the relationship between the courts and the United States Patent and Trademark Office. Part II will also examine the precedent set by the Supreme Court in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015). Part II will conclude with a discussion of the facts behind *Houndstooth Mafia* and where the case stands today.

¹⁷ See Jon Solomon, *Who has a right to use houndstooth? University of Alabama fights, even without a trademark*, AL.COM, http://www.al.com/sports/index.ssf/2013/11/university_of_alabama_fight_s_u.html (last updated Nov. 17, 2013).

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ See Bd. of Tr. of the Univ. of Alabama v. Houndstooth Mafia Enter., LLC, 2016 U.S. Dist. LEXIS 21645 (N.D. Ala. Feb. 23, 2016).

²¹ See Paolo A. Strino & Patricia A. Clark, *Alabama District Court Orders TTAB to Vacate Precedential Decision*, GIBBONS IP LAW ALERT (Apr. 6, 2016), <http://www.iplawalert.com/2016/04/articles/trademark/alabama-district-court-orders-ttab-to-vacate-precedential-decision/>.

²² See *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

²³ *TTAB Relents: Board Agrees to Vacate Likelihood of Confusion Finding at District Court's Direction*, PROSKAUER (Mar. 8, 2016), <http://www.proskauer.com/publications/client-alert/ttab-relents-board-agrees-to-vacate-likelihood-of-confusion-finding-at-district-courts-direction/>.

Part III of this Note will analyze the legal repercussions of *Houndstooth Mafia* and the effects that the case will have on the relationship between agencies and the courts, especially on the relationship between the courts and the Trademark Trial and Appeal Board. Furthermore, Part III will argue that the court order of *Houndstooth Mafia* represents a step in the wrong direction given the Supreme Court's holding in *Be&B Hardware*. Part IV will conclude that the Trademark Trial and Appeal Board should appeal the federal court's order on the grounds that the agency's decisions have preclusive effect on the courts given the holding of *Be&B Hardware*.

II. BACKGROUND

A. TRADEMARKS

“A trademark may be a word, logo, design, scent, sound, color, personal name, container, building or any number of other signifiers.”²⁴ The Lanham Act of 1946 provides legal protection to marks by allowing their owners to file for registration with the U.S. Patent and Trademark Office (USPTO).²⁵ Mark owners may file for marks that they intend to use in commerce,²⁶ but are not legally required to do so: mark ownership “flows from prior use,” but registration of a mark provides additional benefits to the owner.²⁷ Trademark registration also benefits consumers by preventing confusion as to the source of the product in order to guarantee that the consumer knows what he or she is purchasing.²⁸

However, not every mark is eligible for protection by registration. Marks must first and foremost be distinctive—that is, representative of and identifiable with the mark owner's products or services.²⁹ Marks that are only descriptive of

²⁴ 1-2 JEROME GILSON & ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 2.01 (Matthew Bender & Co., 2017).

²⁵ Lanham Act, 15 U.S.C. § 1051 (1946).

²⁶ *Id.*

²⁷ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §§ 16:17–16:19, 19:9 (4th ed. 2016).

“Trademark ownership is not acquired by federal or state registration.” Ownership rights “flow [only] from prior use”, either actual or constructive . . . Similarly, incorporation under a corporate name does not, in the absence of use, confer the right to prevent others from using a similar name. Neither does a state registered mark give rights superior to a prior user of the mark. Federal registration does convey important rights, however, such as the priority of constructive use, and a presumption of validity, which may ripen into “incontestable” status.

²⁸ See GILSON & LALONDE, *supra* note 24, § 1.03.

²⁹ 15 U.S.C. § 1052 (1946).

the mark owner's goods or services will be denied registration by the USPTO, unless the mark acquires a secondary meaning.³⁰

In making that determination, distinctiveness is scaled by various levels of protection eligibility.³¹ Marks that are “merely descriptive” are generally unprotectable, while some marks can lose protection by becoming “generic” by overuse in common language (for example, “Xerox” or “Kleenex”).³² More creative marks, so called “arbitrary” or “fanciful” marks, are the strongest and therefore most eligible for legal protection.³³

Even if a mark is distinct, it may still be denied by the USPTO on other grounds. The Lanham Act prevents registration of marks that consist of national insignia, marks representative of living people without their consent, and marks which closely resemble marks already registered with the USPTO.³⁴

A licensing agreement represents a preventative measure used to protect trademarks from infringement. The Lanham Act grants remedies to those whose marks have been infringed, so long as the mark's owner has given notice of the registration wherever the mark is displayed (generally seen as ®).³⁵ Under the act, owners of marks may sue for infringement if the alleged infringers have reproduced the mark or a mark so similar that would cause confusion as to its source, and use or intend to use the reproduced mark in commerce or sales—all without permission of the mark's actual owner.³⁶ Rightful owners of marks are entitled to injunctive relief against an infringer's continued reproduction of the mark, and in cases of intentional infringement, monetary damages.³⁷

Registration eligibility for protection of “non-word” marks is generally more difficult to assess in accordance with the “distinctiveness spectrum.”³⁸ Although non-word marks may not fit neatly into the spectrum, courts have consistently given protection to such marks that have “acquired secondary meaning.”³⁹ The mark must be distinct when the infringement cause of action is filed; however, marks that are not initially distinct may acquire distinctiveness given their identity and use over time.⁴⁰

³⁰ *Id.*

³¹ GILSON & LALONDE, *supra* note 24.

³² *Id.*

³³ *Id.*

³⁴ 15 U.S.C. § 1052 (1946). *See also* *Matal v. Tam*, 137 S. Ct. 1744 (2017) (finding 15 U.S.C. § 1052(a)'s prohibition of disparaging marks unconstitutional under the First Amendment).

³⁵ 15 U.S.C. § 1111.

³⁶ *Id.* § 1114.

³⁷ *Id.*

³⁸ GILSON & LALONDE, *supra* note 24.

³⁹ *Id.* *See also* *Nola Spice Designs, L.L.C. v. Haydel Enters.*, 783 F.3d 527, 546–47 (5th Cir. 2015) (holding a visual mark ineligible for protection due to being “merely descriptive” and failure to acquire secondary meaning).

⁴⁰ GILSON & LALONDE, *supra* note 24.

Trademark dilution is similar to infringement, but differs in that it does not necessarily involve confusion as to the source of the mark.⁴¹ The mark may be diluted by blurring, which is “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”⁴² The key to winning a dilution by blurring claim is that the plaintiff’s mark be “famous.”⁴³

How is a mark’s fame measured? Courts have applied various lines of reasoning to try to answer this question. First, it is necessary to look at the statute: “a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.”⁴⁴ The reference to the “general consuming public” indicates that a mark must be famous enough to be a household name and easily recognizable among the whole population, rather than among, for example, college football fans.⁴⁵ Therefore, a mark’s fame must be general, and not solely within a niche market.⁴⁶ Consequently, the University of Alabama would likely not be successful in litigating dilution claims over its Crimson Tide team marks.

B. CREATION OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

Citizens’ rights to legally protect their intellectual property are rooted in our Constitution.⁴⁷ The United States Constitution assigns the legislature the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁴⁸ The “exclusive Right” alludes to protection via patent, copyright, or trademark and is intended to induce creativity and inventions which may benefit society.

⁴¹ *Id.*

⁴² 15 U.S.C. § 1125(c)(2)(B) (1946).

⁴³ GILSON & LALONDE, *supra* note 40.

⁴⁴ 15 U.S.C. § 1125(c)(2)(A).

⁴⁵ *See* Bd. of Regents v. KST Electric, Ltd., 550 F. Supp. 2d 657, 678–79 (W.D. Tex. 2008) (denying anti-dilution protection to marks only famous in a niche market, in this case, college football).

⁴⁶ *See* Coach Servs. v. Triumph Learning LLC, 668 F.3d 1356, 1372 (Fed. Cir. 2012).

A threshold question in a federal dilution claim is whether the mark at issue is “famous.” Under the TDRA [Trademark Dilution Revision Act], a mark is famous if it “is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” 15 U.S.C. § 1125(c)(2)(A). By using the “general consuming public” as the benchmark, the TDRA eliminated the possibility of “niche fame,” which some courts had recognized under the previous version of the statute.

⁴⁷ U.S. CONST. art. I, § 8, cl. 8.

⁴⁸ *Id.*

From the time the Constitution was ratified and throughout the nineteenth century, Congress delegated a varying scope of power over patent review and approval to the executive branch, eventually leading to the creation of the United States Patent Office in 1836.⁴⁹ A few years after Congress passed the Lanham Act, it created the modern United States Patent and Trademark Office (USPTO) and gave it authority to review patent applications and grant or deny them according to its independent judgment.⁵⁰

Although the USPTO became the official authority for granting or denying patents, it has little power to act beyond that limited scope because the legislature did not delegate any rulemaking power to the agency.⁵¹ This limited scope likewise applies to the Office's authority over trademarks, given the same statutory language referencing both the patent and trademark sides of the Office.⁵² Furthermore, without any requirement that "deference" be given to its decisions by the federal courts, the agency has virtually no power to enforce its decisions, and unsatisfied applicants will look to the courts to rectify any problems as need be.⁵³

C. THE USPTO'S LIMITED AUTHORITY AS AN ADMINISTRATIVE AGENCY AND THE DOMINANCE OF THE FEDERAL COURTS

Many arguments have been made in favor of expanding the USPTO's rulemaking authority so that it no longer functions as a "weak administrative agency" with little to no influence over substantive issues of law.⁵⁴ The USPTO alone "lacks authority to issue presumptively binding rules on the substantive legal questions"—that authority is allocated to the federal courts.⁵⁵ The agency merely possesses the power of granting or denying patent applications without

⁴⁹ Samiyah R. Ali, Note, *The Great Balancing Act: The Effect of the America Invents Act on the Division of Power Between the Patent and Trademark Office and the Federal Circuit*, 69 VAND. L. REV. 217, 222 (2016).

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² Joseph Scott Miller, *Substance, Procedure, and the Divided Patent Power*, 63 ADMIN. L. REV. 31, 32 n.8 (2011). See also 15 U.S.C. § 1123 ("The Director shall make rules and regulations, not inconsistent with law, for the conduct of proceedings in the Patent and Trademark Office under this Act.").

⁵³ Ali, *supra* note 49, at 222–23.

⁵⁴ *Id.* at 223. See also John M. Golden, *Patentable Subject Matter and Institutional Choice*, 89 TEX. L. REV. 1041 (2011).

⁵⁵ Golden, *supra* note 54 ("No matter how incoherent or tortured relevant judicial precedent is, the USPTO must try to distill it into a set of comprehensible guidelines for several thousand patent examiners, each of whom must ultimately rule on the patentability of claims in a sample of the hundreds of thousands of applications that the USPTO receives annually.").

being able to determine “legal questions such as patentability.”⁵⁶ These legal questions are for the Federal Circuit to hear on appeal.⁵⁷

Because of the USPTO’s lack of substantive rulemaking authority, Congress created the Federal Circuit as a court of subject matter expertise to hear cases on appeal from the USPTO’s decisions.⁵⁸ Specifically, the Federal Circuit has jurisdiction to hear appeals from the decisions of “the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or inter partes review”⁵⁹ Congress intended for the authority over intellectual property law, such as patentability, to be shared among the branches—the USPTO of the executive branch and the Federal Circuit of the judicial branch.⁶⁰ Although the USPTO “has an established record of developing nonbinding but influential interpretive rules on matters of substance,”⁶¹ federal courts (and the Federal Circuit in particular) are not required to grant deference to any of the USPTO’s decisions based on its interpretations of the law.⁶² It is argued that this lack of judicial deference given to the USPTO’s rulings has bolstered the Federal Circuit’s power as the only viable authority when it comes to patentability.⁶³

Despite the Federal Circuit’s overarching dominance in the realm of intellectual property law, the USPTO has begun a trend of fighting back against the court’s continuing lack of deference instead of simply allowing it to rule adversely to its decisions on appeal.⁶⁴ Legal scholars have developed various arguments backing the USPTO’s quest for more power and control in the patent process. One such argument for allowing the USPTO greater authority

⁵⁶ *Id.* at 1046.

⁵⁷ Ali, *supra* note 49, at 224 (“The Federal Courts Improvement Act (‘FCIA’) provided the desired uniformity: the creation of the Federal Circuit with exclusive jurisdiction over three sources of appeals: (1) federal district court cases ‘arising under’ the patent laws, (2) proceedings within the PTO, and (3) International Trade Commission (‘ITC’) investigations over potentially infringing imported products.”).

⁵⁸ *Id.*

⁵⁹ 28 U.S.C. § 1295(a)(4)(A) (1982).

⁶⁰ Ali, *supra* note 49, at 242.

⁶¹ Golden, *supra* note 54, at 1044.

⁶² Ali, *supra* note 49, at 229.

⁶³ *Id.* at 229–30 (“Many scholars have suggested that the failure of Congress to give the PTO substantive interpretative powers of the Patent Act has rendered it a weak administrative agency. Others have blamed the Federal Circuit for creating for itself the role as the dominant, and maybe sole, player in patent policy. Indeed, the Federal Circuit has contributed to the balance of power in the patent system by continuously denying deference.”).

⁶⁴ See *id.* at 230–32, for case examples of how the Federal Circuit continuously denies deference to the USPTO’s holdings and treats its limited administrative authority to interpret substantive legal questions despite the USPTO’s attempts to assert greater control and authority in the field of patent law. See also *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920 (Fed. Cir. 1991); *Merck & Co. v. Kessler*, 80 F.3d 1543 (Fed. Cir. 1996); *Dickinson v. Zurko*, 527 U.S. 150 (1999).

to be able to interpret law concerning issues of patentability is that the federal courts have traditionally performed poorly at this task.⁶⁵ The USPTO possesses and maintains subject matter expertise in the field of intellectual property law, whereas the federal courts struggle with developing various “tests” to apply on a case-by-case basis, often resulting in conflicting holdings or splits among the federal courts of appeals.⁶⁶ The federal courts’ lack of expertise suggests that judges are ill-suited to declare holdings on specific issues of intellectual property subject matter, and certainly lack the competence “of their administrative agency counterparts.”⁶⁷

With the USPTO lacking interpretive authority over substantive legal questions, and consequently, federal courts holding that authority, the process of obtaining judgment over issues of intellectual property subject matter becomes quite “lengthy.”⁶⁸ Because of the USPTO’s lack of real binding authority to interpret the law, patent or trademark applicants unhappy with the agency’s decisions may simply amend their applications while also appealing to the federal courts—creating a time-consuming process during which countless other patent or trademark applications “hang in the balance,” dependent on the court’s judgment.⁶⁹ This lengthy process has been targeted with criticism by legal experts who see it as inefficient and perhaps detrimental.

Because of the alleged incompetence of the courts to perform the necessary analysis to make judgments over cases concerning specific intellectual property subject matter, judges have been accused of declaring judgments simply based on their personal ideals in order to create policy.⁷⁰ They do this by “camouflaging” their policy-making judgments behind multiple layers of legal analyses to make it seem like there is a reasonable approach to their conclusions, whereas in reality, the judges lack the required subject matter knowledge to make the necessary legal inquiries.⁷¹

While arguments and proposals for expanding the USPTO’s interpretive and thus rule-making authority are currently trending, there exist a number of counter-arguments. One such counter-argument is simple: that the USPTO, while maintaining expertise over the specific intellectual property subject matter, lacks the requisite experience “to handle substantive questions of statutory interpretation more competently than the courts.”⁷² The examiners of the agency may be experts in the field of patents and trademarks, and thus able

⁶⁵ Golden, *supra* note 54, at 1075.

⁶⁶ *Id.* at 1074–75. See Ali, *supra* note 49, at 223.

⁶⁷ Golden, *supra* note 54, at 1084.

⁶⁸ *Id.* at 1086–87.

⁶⁹ *Id.* at 1086.

⁷⁰ *Id.* at 1085.

⁷¹ *Id.* at 1085–86.

⁷² *Id.* at 1097.

to provide an extensive amount of legal advice from their unrivaled knowledge in that field, but they are not judges.⁷³

A second counter-argument is that, because the USPTO is an administrative agency and not a court, it is “overly subject to capture or bias.”⁷⁴ Unlike a court, which is unbiased and beholden to rules of ethics, administrative agencies are prone to external influences which can potentially shape any rule-making authority they may possess.⁷⁵ For example, the USPTO may be subject to industry capture, which is “the co-opting of regulatory agencies by [industry] groups.”⁷⁶ Businesses with an interest in the USPTO’s decisions on patents or trademarks can seek to assert influence over the agency.⁷⁷ Furthermore, being an administrative agency within the executive branch subjects the USPTO to political capture by politicians in the various branches seeking to use the agency as a tool to accomplish their own agendas.⁷⁸ This political capture has been demonstrated by excessive lobbying for executive or legislative oversight of the agency for the benefit of the large and powerful patent-holding groups.⁷⁹

Despite the potential for capture or bias, many important administrative agencies exist that have substantial rule-making authority.⁸⁰ Furthermore, where the USPTO has made decisions that limit eligibility for patentable subject matter, the federal courts have often acted to expand the spectrum of patentability (commonly by rejecting the USPTO’s decisions on appeal) under the oversight of “major business interests.”⁸¹ This history may actually provide evidence for the opposing view: that the courts, not the agency, are more prone to capture.⁸²

Besides the argument for expanding the rule-making authority of the USPTO, the other related argument is that courts should give significant deference to the USPTO’s interpretations of law. Currently, the Federal Circuit maintains that courts are required to give “*Chevron* deference” to “procedural rules” created by the USPTO.⁸³ This type of deference refers to a Supreme

⁷³ *Id.* at 1098.

⁷⁴ *Id.*

⁷⁵ *See id.* *See also* Ali, *supra* note 49, at 242–43 (defining of “capture”).

⁷⁶ Ali, *supra* note 49, at 243 (quoting Jacob S. Sherkow, *Administering Patent Litigation*, 90 WASH. L. REV. 205, 241 (2015)) (alteration in original).

⁷⁷ Ali, *supra* note 49, at 243.

⁷⁸ *Id.*

⁷⁹ Golden, *supra* note 54, at 1098.

⁸⁰ *See id.* at 1099–1100 for a list of administrative agencies with broad rule-making power, despite the objection of the potential for capture. *See also* Ali, *supra* note 49, at 244, for a further list of agencies having influence over the patent system.

⁸¹ Golden, *supra* note 54, at 1101–02.

⁸² *Id.* at 1102.

⁸³ *Id.* at 1046–47 (“Further, Congress has explicitly granted the USPTO the power to make rules ‘govern[ing] the conduct of proceedings in the Office.’ The Federal Circuit has ruled that, with respect to rules promulgated under that authority, the USPTO receives *Chevron* deference, a

Court case from 1984 involving a different agency: the Environmental Protection Agency (EPA).⁸⁴ In *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, the Supreme Court held that the EPA's statutory interpretation (of the Clean Air Act Amendments of 1977) was "entitled to deference," as long as the agency's interpretation was based on a "permissible construction" in line with the intent of the law.⁸⁵ The Court's reasoning for requiring deference to agency holdings addresses some of the aforementioned concerns over judicial supremacy over agency decision-making:

Judges are not experts in the field, and are not part of either political branch of the Government. Courts must, in some cases, reconcile competing political interests, but not on the basis of the judges' personal policy preferences. In contrast, an agency to which Congress has delegated policymaking responsibilities may, within the limits of that delegation, properly rely upon the incumbent administration's views of wise policy to inform its judgments.⁸⁶

Although *Chevron* represents an opportunistic power grab by the USPTO for the enforcement of its holdings, this type of deference has been limited by the courts.⁸⁷ The USPTO only receives judicial deference on questions of law concerning practices and procedures internal to the agency.⁸⁸ Significantly, the USPTO does not receive deference from the federal courts for "its legal interpretations of the Patent Act."⁸⁹ Ultimately, the only judicial deference afforded to the USPTO concerns its own procedural rules, but none for its legal interpretations of substantive law.

D. THE TRADEMARK TRIAL AND APPEAL BOARD (TTAB)

The Trademark Trial and Appeal Board (TTAB) is an administrative body within the USPTO which focuses exclusively on trademarks. Once the USPTO determines the eligibility for a mark to be registered in the *Official Gazette*, any unsatisfied parties may petition the USPTO for administrative hearings before the TTAB.⁹⁰ The TTAB only has jurisdiction to rule on "the right to register" a

high level of formal deference requiring courts to accept reasonable agency interpretations of statutory law." (alteration in original).

⁸⁴ See *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

⁸⁵ *Id.* at 865–66.

⁸⁶ *Id.* at 865.

⁸⁷ Ali, *supra* note 49, at 229.

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ Lian Osier, *Issue Preclusion: The Effect B&B Hardware Will Have on Trademark Litigation*, 15 J. MARSHALL REV. INTELL. PROP. L. 257, 259 (2016).

mark—it has absolutely no authority to make holdings on infringement cases, cases concerning rights to use certain marks, and cases involving unfair competition.⁹¹ Because it is an administrative agency and not a court, the TTAB may not make any holdings on the constitutionality of statutes or any provisions of statutes (to include the Lanham Act).⁹² Having jurisdiction over rights to register marks, the TTAB hears proceedings between adverse parties (*inter partes*).⁹³ The TTAB may hear four types of *inter partes* proceedings: (1) opposition proceeding, (2) cancellation proceeding, (3) interference, and (4) concurrent use proceeding.⁹⁴

In an opposition proceeding, the plaintiff petitions the board to oppose the issuing of a mark on the Principal Register, likely because he believes the mark will cause him to suffer damages.⁹⁵ In a cancellation proceeding, the plaintiff petitions to have an already registered mark cancelled, for similar reasons.⁹⁶ An interference is a proceeding in which the TTAB must determine the rightful owner of a mark and therefore award him the registration of the mark against others with conflicting applications.⁹⁷ Finally, a concurrent use proceeding is one in which the TTAB must determine “whether one or more applicants is entitled to a concurrent registration on the Principal Register.”⁹⁸ The TTAB will limit any concurrent registrations with certain geographic or time constraints or further constraints as to the mark’s use in commerce.⁹⁹

The TTAB may also hear “appeals of final refusals issued by USPTO Trademark Examining Attorneys within the course of the prosecution of trademark applications.”¹⁰⁰ The TTAB’s operations are governed by the Trademark Trial and Appeal Board Manual of Procedure (TBMP), which contains the board’s standard operating procedures but holds no binding legal authority.¹⁰¹

After the TTAB has issued its judgment, parties wishing to appeal have two choices: appeal to the Federal Circuit or to a district court.¹⁰² When appealing to the Federal Circuit, the parties are not permitted to introduce any new evidence, unlike when appealing to a district court, in which new evidence as

⁹¹ GILSON & LALONDE, *supra* note 24, § 102.01.

⁹² *Id.*

⁹³ *Trademark Trial and Appeal Board*, UNITEDSTATESPATENTANDTRADEMARKOFFICE.GOV, <http://www.uspto.gov/trademarks-application-process/trademark-trial-and-appeal-board-ttab> (last visited Oct. 5, 2017).

⁹⁴ GILSON & LALONDE, *supra* note 24, § 102.02.

⁹⁵ *Id.*

⁹⁶ *Id.*

⁹⁷ *Id.*

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Trademark Trial and Appeal Board*, *supra* note 93.

¹⁰¹ *Id.*

¹⁰² Osier, *supra* note 90, at 260.

well as certain new claims (for example, dilution or infringement) are permitted.¹⁰³ Furthermore, “district courts have the authority to determine whether registration should be granted or whether registration should be cancelled.”¹⁰⁴

Falling under the USPTO, the TTAB is likewise an administrative agency under the same constraints: limited rule-making power, limited statutory interpretive authority, and limited judicial deference.¹⁰⁵ However, as recently as 2015, the Supreme Court of the United States issued a judgment directly related to these constraints of authoritative power on the TTAB.¹⁰⁶ The Supreme Court in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015), changed the legal landscape of not only practices and procedures in intellectual property law, but also for the overall relationship between administrative agencies and the federal courts.¹⁰⁷

E. PRECLUSIVE EFFECT TO ADMINISTRATIVE DECISIONS: WHAT *B&B HARDWARE* MEANS TO THE RELATIONSHIP BETWEEN THE TTAB AND THE FEDERAL COURTS

The Supreme Court heard *B&B Hardware* after decades of practice by the Federal Circuit (and the federal courts in general) of denying any deference to USPTO decisions concerning substantive legal issues.¹⁰⁸ Before *B&B Hardware* was decided, federal courts generally denied any deference to TTAB decisions concerning trademark infringement because TTAB jurisdiction is primarily over the right to register marks.¹⁰⁹ The circuits, however, were split on the question of what preclusive effect the TTAB holdings over such legal issues would have—with the Third and Seventh Circuits giving TTAB decisions preclusive effect, the Second Circuit in certain cases, and the Fifth, Eleventh, Ninth, and D.C. Circuits flat out denying preclusion to TTAB decisions.¹¹⁰ *B&B Hardware* addressed this question and ruled that TTAB decisions over substantive issues, such as likelihood of confusion, would require preclusive effect from federal courts.¹¹¹

B&B Hardware began as an opposition proceeding before the TTAB.¹¹² B&B Hardware petitioned the TTAB to deny registration of Hargis’s mark “SEALTTTE,” claiming that it would be likely confused with its own mark,

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Trademark Trial and Appeal Board*, *supra* note 93.

¹⁰⁶ *See B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

¹⁰⁷ *See generally id.*

¹⁰⁸ *See Ali*, *supra* note 49, at 225.

¹⁰⁹ *Osier*, *supra* note 90, at 262.

¹¹⁰ *Id.* at 262–63.

¹¹¹ *Id.* at 263–64.

¹¹² *B&B Hardware*, 135 S. Ct. 1293, at 1297.

“SEALTIGHT.”¹¹³ Both companies competed in similar markets: B&B Hardware produced its SEALTIGHT “for fasteners in the aerospace industry” and Hargis made its SEALTITE “for self-drilling screws for the construction industry.”¹¹⁴ The TTAB ruled in B&B Hardware’s favor, denying registration for Hargis’s “SEALTITE” on grounds of likelihood of confusion with B&B Hardware’s “SEALTIGHT.”¹¹⁵

In addition to the opposition proceeding before the TTAB, both parties engaged in trademark infringement litigation before a federal district court, based on Hargis’s use of the mark.¹¹⁶ Likelihood of confusion is an element of both registration eligibility and trademark infringement, and during the opposition to registration proceedings before the TTAB, the agency held that there was a likelihood of confusion and thus Hargis’s mark was not eligible for registration.¹¹⁷ At the infringement litigation in federal court, B&B Hardware argued that the issue of likelihood of confusion was moot because the TTAB had already ruled that the likelihood existed, and therefore the court must give preclusive effect to that decision and not rule on it again.¹¹⁸ The federal district court declined to give deference to the TTAB’s decision on the likelihood of confusion because the TTAB is an administrative agency, not a court, and therefore its decisions are not entitled to issue preclusion.¹¹⁹ On appeal, the Eighth Circuit likewise denied deference, but on the grounds that the TTAB used a different set of factors in its evaluation of the likelihood of confusion issue than the district court had.¹²⁰ The Supreme Court granted certiorari to reconcile the circuit split and decide whether and to what extent federal courts must give issue preclusion to decisions of administrative agencies.¹²¹

According to the Restatement Second of Judgments, “[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim.”¹²² The question before the Court was whether issue preclusion must apply to administrative agency decisions on issues at argument in a federal court. As previously mentioned, the federal circuit courts were split over this

¹¹³ *Id.*

¹¹⁴ Ralph H. Cathcart, *B&B Hardware v. Hargis – What it Means and How it Will Affect TTAB Litigation*, LADAS & PERRY EDUCATION CENTER 1 (Aug. 24, 2015), <http://ladas.com/education-center/bb-hardware-v-hargis-what-it-means-and-how-it-will-affect-ttab-litigation/>.

¹¹⁵ *B&B Hardware*, 135 S. Ct. at 1297.

¹¹⁶ *Id.* at 1299.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.* at 1302.

¹²⁰ *Id.* at 1297.

¹²¹ *Id.* at 1302.

¹²² RESTATEMENT (SECOND) OF JUDGMENTS § 27 (AM. LAW INST. 1982).

question.¹²³ The Fifth Circuit, for example, took the approach that issue preclusion did not apply to TTAB decisions because the TTAB analyzes issues solely with respect to registration of marks, and not infringement—and therefore are different issues altogether.¹²⁴ The Second Circuit, like the Eighth, zeroed in on the TTAB’s analysis of the issues before it—specifically, on the factors it uses in making its decisions.¹²⁵ According to the Second Circuit, the TTAB uses a different analysis and applies a different set of factors when reaching its decisions than those the courts use, then its decisions are not binding on the courts.¹²⁶ By granting certiorari to hear *B&B Hardware*, the Supreme Court sought to eliminate this split among the federal circuits and rule definitively on what judgments decided by administrative agencies are deserving of judicial deference.

B&B Hardware’s argument was simple: that Hargis was “precluded from contesting [the issue of] the likelihood of confusion” of the marks because the TTAB had already ruled that the likelihood exists.¹²⁷ The foundation of Hargis’s argument was that decisions from administrative agencies are not entitled to judicial deference, and in this case issue preclusion, because they are not Article III courts and thus their decisions are not binding on federal courts.¹²⁸ Hargis pointed to a number of different lines of reasoning to support its stance.¹²⁹

Hargis first presented a constitutional argument: that in order for the Lanham Act to be interpreted in harmony with the United States Constitution, it must not allow Article III courts to award issue preclusion to decisions of administrative agencies.¹³⁰ In rejecting Hargis’s constitutional concerns, the Supreme Court pointed to the precedent of giving preclusive effect to the TTAB’s decisions, explaining that “our precedent holds that the Seventh Amendment does not strip competent tribunals of the power to issue judgments with preclusive effect.”¹³¹ Hargis furthered its constitutional argument: that if federal courts allow issue preclusion to decisions of administrative agencies, they violate Article III.¹³² Again, the Court referenced

¹²³ See Osier, *supra* note 90, at 262–63.

¹²⁴ *Id.* at 267. See, e.g., *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9 (1974) (“A claim for service mark and trade name infringement and a claim for registration present different questions of law and fact, and the relief sought in one action is fundamentally different from the relief sought in the other. . . . While the same parties are fighting over the same word in the two suits, in substance, the causes of action are not the same.” (citations omitted)).

¹²⁵ Osier, *supra* note 90, at 272.

¹²⁶ *Id.*

¹²⁷ *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1297 (2015).

¹²⁸ See *id.* at 1304.

¹²⁹ See *id.* at 1304–09.

¹³⁰ *Id.* at 1304. See U.S. CONST. amend. VII (“[N]o fact tried by a jury, shall be otherwise re-examined in any Court of the United States . . .”).

¹³¹ *B&B Hardware*, 135 S. Ct. at 1304.

¹³² *Id.*

precedent in denying Hargis's constitutional concerns and refused to give the Lanham Act such a narrow reading as would bring up questions of constitutionality.¹³³

Hargis next pointed to legislative intent, arguing that "Congress would not want TTAB decisions to receive preclusive effect, even in those cases in which the ordinary elements of issue preclusion are met."¹³⁴ Although Justice Alito did not go into great detail for the reasons behind Hargis' legislative intent argument, he bluntly stated that "nothing in the Lanham Act bars the application of issue preclusion."¹³⁵ To support its argument, Hargis cited *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104 (1991), which held that the petitioner was not precluded from re-litigating a matter under the Age Discrimination in Employment Act of 1967 (ADEA) in the federal courts.¹³⁶ The Court distinguished *Astoria* by explaining that the petitioner there sought to relitigate the same matter in federal court, unlike in *B&B Hardware* where the registration claim was not reviewed by the TTAB and the infringement claim was reviewed in the federal district court distinctly.¹³⁷ The Court reiterated the fact that the claim in the federal court was a separate claim than that before the TTAB, and, notably, that "registration is not a prerequisite to an infringement action."¹³⁸ To conclude its reasoning in rejecting Hargis's argument of legislative intent to deny preclusion to TTAB decisions, the Court held: "[w]hen a district court, as part of its judgment, decides an issue that overlaps with part of the TTAB's analysis, the TTAB gives preclusive effect to the court's judgment."¹³⁹

Hargis's last argument was its weakest. Hargis's "streamlined process" argument maintained the position that, by giving preclusive effect to TTAB decisions for infringement litigation, the Court will essentially be holding up the efficiency of the TTAB's registration process.¹⁴⁰ This holding would incentivize parties in TTAB proceedings to devote "more time and energy" because of the lasting effects that its holdings would have in subsequent litigation—thereby destroying the "streamlined process" that Congress intended.¹⁴¹ The Court firmly rejected this argument, saying if Congress intended trademark registration to be a "streamlined process," "it would not have authorized *de novo* challenges for those 'dissatisfied' with TTAB decisions."¹⁴²

¹³³ *Id.* at 1304–05.

¹³⁴ *Id.* at 1305.

¹³⁵ *Id.*

¹³⁶ *Id.* See *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104 (1991).

¹³⁷ *B&B Hardware*, 135 S. Ct. at 1305.

¹³⁸ *Id.*

¹³⁹ *Id.* at 1305–06.

¹⁴⁰ *Id.* at 1306.

¹⁴¹ *Id.*

¹⁴² *Id.* (citing 15 U.S.C. § 1071(b)).

In its judgment for Hargis, the Supreme Court rejected the analysis employed by the Eighth Circuit—which focused on the factors used to determine if the likelihood of confusion element was met—and held that different factors examined by the TTAB and the federal courts “[do] not prevent issue preclusion.”¹⁴³ The Eighth Circuit’s reasoning for its factor test was that, because different factors were employed to examine the issue of likelihood of confusion, it was not the same issue at all—and therefore issue preclusion would not apply.¹⁴⁴ In its rejection of the factors test, the Supreme Court stated “it does not matter that registration and infringement are governed by different statutory provisions. Often a single standard is placed in different statutes; that does not foreclose issue preclusion.”¹⁴⁵ The court held, importantly, “likelihood of confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement.”¹⁴⁶ Therefore, despite different factors and different purposes for legal action (registration and infringement), the issue was the same and the TTAB’s holding on the issue of likelihood of confusion would preclude further examination of the matter. The rule of *Be&B Hardware* is “[i]f a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court.”¹⁴⁷

The immediate effect of the Supreme Court’s decision in *Be&B Hardware* was to reconcile the split among the federal circuit courts in regards to preclusive effect on TTAB decisions.¹⁴⁸ Furthermore, the decision enhanced the power and authority of the TTAB by making its own determinations on issues of trademark eligibility final and binding.¹⁴⁹ Consequently, perhaps as foreseen by Hargis, the “stakes” became “much higher” in a TTAB action because the parties are now without the option to re-litigate certain issues in federal court once they have been determined by the board.¹⁵⁰

Ultimately, the Supreme Court’s decision in this case will certainly affect the relationship between administrative agencies and federal courts, with the courts now required to give deference to agencies’ holdings on issues being

¹⁴³ Osier, *supra* note 90, at 265. See *id.* at 270–72 for a discussion of the Second Circuit’s analysis of *Levy v. Kosher Overseers Assoc. of America*, 104 F.3d 38 (2d Cir. 1997). The Second Circuit employed the same “factors” analysis as the Eighth Circuit. The immediate impact from *Be&B Hardware* would not only reject the Eighth Circuit’s factor test, but also the Second’s.

¹⁴⁴ *Be&B Hardware, Inc.*, 135 S. Ct. at 1306.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.* at 1307.

¹⁴⁷ *Id.* at 1308.

¹⁴⁸ See Osier, *supra* note 90, at 262–63 (discussing the circuit split at the time the *Be&B Hardware* case was decided).

¹⁴⁹ See Cathcart, *supra* note 114 (explaining greater importance of TTAB decision).

¹⁵⁰ *Id.*

concurrently or subsequently litigated. *B&B Hardware* was decided in 2015,¹⁵¹ so the long-term effects of the Supreme Court's holding have yet to be seen. However, in a recent case brought against a group of college football fans in Alabama, a federal district judge seems to have completely disregarded the *B&B Hardware* holding and instead sought to assert the federal court's authority over the TTAB¹⁵²—representing a step in the opposite direction from *B&B Hardware*.

F. HOUNDSTOOTH MAFLA: *B&B HARDWARE*'S FIRST TEST

The University of Alabama, like other major universities with successful and popular sports teams, has a major financial interest in protecting its marks.¹⁵³ It does so by registering the marks with the USPTO and issuing licenses to vendors allowing them to sell merchandise featuring the marks in exchange for royalties.¹⁵⁴ Following the recent trend in increasing trademark infringement litigation by universities, Alabama too has become increasingly aggressive in opposing potentially infringing marks in recent years.¹⁵⁵ Among the University's most recognizable marks is the houndstooth pattern, made famous by its iconic coach, Paul "Bear" Bryant.¹⁵⁶

Because of the pattern's popularity among the fan base, the University has sought to oppose any registration of marks using the pattern on grounds that marks would be confused with the University of Alabama.¹⁵⁷ As stated by the Federal District Court for the Northern District of Alabama, "[t]he University has licensed the Houndstooth pattern as a trademark in connection with various goods because it contends the pattern is well-known to be associated with the University."¹⁵⁸

As noted by the federal court, the University of Alabama is a "repeat player[] before the TTAB."¹⁵⁹ In the past decade, the University has opposed the registration of the marks of GameDawg, LLC and The Tuscs, LLC because of their use of the houndstooth pattern, claiming that the pattern "has long been associated with the University and its former football coach, Paul

¹⁵¹ *B&B Hardware*, 135 S. Ct. 1293 (2015).

¹⁵² *See* Bd. of Trs. of the Univ. of Ala. v. Houndstooth Mafia Enters., LLC, 163 F. Supp. 3d 1150, 1157–58 (2016).

¹⁵³ *See generally* Jennings, *supra* note 7.

¹⁵⁴ *See id.*

¹⁵⁵ *See* Solomon, *supra* note 17.

¹⁵⁶ *See The History of Alabama and the Houndstooth Hat*, *supra* note 3, for a discussion of how Bear Bryant made the houndstooth pattern synonymous with the University of Alabama and how its popularity among Alabama fans has resulted in their adoption of the pattern as the "third, and unofficial" team color.

¹⁵⁷ *See* Solomon, *supra* note 17.

¹⁵⁸ Bd. of Trs. of the Univ. of Ala. v. Houndstooth Mafia Enters., LLC, 163 F. Supp. 3d 110, 1154 (2016).

¹⁵⁹ *Id.*

Bryant.”¹⁶⁰ The most recent case of houndstooth use comes in the wake of *B&B Hardware*, and has initiated yet another standoff between the TTAB and the federal courts.

Houndstooth Mafia began as a group of Alabama fans who tailgated together at Crimson Tide football games.¹⁶¹ This group of friends called themselves the “Houndstooth Mafia,” and decided to form a limited liability corporation (LLC) to develop merchandise featuring the houndstooth pattern.¹⁶² The group sought to register their mark with the USPTO in 2007, only to have the University of Alabama (along with Paul Bryant, Jr., son of the legendary coach) oppose the registration before the TTAB.¹⁶³ The University opposed the registration on the grounds that the houndstooth patterned design would cause confusion as to the source of the mark and could cause people to unknowingly associate the University or the coach with the “mafia”—organized crime.¹⁶⁴

The TTAB found in favor of Houndstooth Mafia, and held “that the opposition lacked a showing of distinctiveness in the pattern, likelihood of confusion with the University’s marks, or that the Houndstooth Mafia’s use of the word ‘mafia’ is disparaging.”¹⁶⁵ Following the TTAB’s holding for the defendants, the University exercised its right to “challeng[e] the board’s ruling” pursuant to 15 U.S.C. § 1071(b)(1) and filed suit in the federal district court for the Northern District of Alabama.¹⁶⁶ The University brought suit alleging trademark infringement and unfair competition.¹⁶⁷ During the course of this subsequent litigation, the parties reached a settlement agreement.¹⁶⁸

Under the settlement agreement, Houndstooth Mafia would basically hand over the mark’s rights to the University, but the University would agree to the settlement if, and only if, the TTAB’s decision was vacated.¹⁶⁹ Both parties agreed to the terms, and Judge R. David Proctor of the Northern District of Alabama signed the consent judgment, ordering the TTAB to vacate its holding

¹⁶⁰ Solomon, *supra* note 17.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *Id.*

¹⁶⁵ Will Gibbons, *The University of Alabama Throws a Penalty Flag on the Use of Houndstooth Logo*, FINDING IP VALUE (Apr. 29, 2016), <https://findingipvalue.com/2016/04/29/the-university-of-alabama-throws-a-penalty-flag-on-the-use-of-houndstooth-logo/>.

¹⁶⁶ *Houndstooth Mafia Enters., LLC*, 163 F. Supp. 3d at 1154. The University decided to file a civil action in federal district court as opposed to appealing to the Federal Circuit in accordance with 15 U.S.C. § 1071(a)(1).

¹⁶⁷ Gibbons, *supra* note 165.

¹⁶⁸ *Id.*

¹⁶⁹ *Houndstooth Mafia Enter.*, 163 F. Supp. 3d at 1154. The University wanted the TTAB’s decision regarding the lack of likelihood of confusion in this case vacated because, as the court acknowledged, they are “repeat players before the TTAB” and were therefore “concerned with the precedential effect of the TTAB’s 2013 decision.”

of no likelihood of confusion concerning the houndstooth pattern mark.¹⁷⁰ The TTAB, however, did not vacate its holding—and in June 2015 (three months after the decision in *B&B Hardware*), decided on its own that it would not go along with the consent judgment, prompting the University to seek enforcement of the court's order.¹⁷¹ The TTAB's refusal thus reignited the conflict between it and the federal courts, which seemed to have been at least temporarily resolved by *B&B Hardware*. Perhaps bolstered by the decision in that case to give its holdings preclusive effect (which in turn gives significantly more weight to its decisions), the USPTO refused to simply fold like a cheap suit and instead challenged the court on the grounds that “the parties did not have the right to agree among themselves that the Board's precedential decision should be vacated.”¹⁷² This challenge by the USPTO, on behalf of the TTAB, represents the first of such by an administrative agency against a federal court in the post-*B&B Hardware* legal landscape.

III. ANALYSIS

A. WHAT *HOUNDSTOOTH MAFLA* MEANS FOR THE FUTURE RELATIONSHIP BETWEEN ADMINISTRATIVE BOARDS AND FEDERAL COURTS IN THE POST-*B&B HARDWARE* ERA

The immediate outcome of Judge Proctor's holding in the trademark infringement action in the federal court of the Northern District of Alabama was that the parties settled, and the University retained the rights to the houndstooth pattern used in Houndstooth Mafia's mark.¹⁷³ The USPTO, on behalf of the TTAB, however, fought the court's order to vacate the TTAB's holding on the likelihood of confusion element in the previous action before the court.¹⁷⁴

In opposing the University's motion to enforce the consent judgment, and thus force the TTAB to vacate its judgment, the USPTO asserted that a federal court is without authority to order vacatur of a decision by the TTAB in order to satisfy a settlement between parties.¹⁷⁵ The Office relied on *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18 (1994), to answer the question of “whether appellate courts in the federal system should vacate civil judgments of subordinate courts in cases that are settled after [an] appeal is filed or certiorari sought.”¹⁷⁶ In that case, after the Supreme Court of the United States granted certiorari, the adverse parties reached a settlement, and the petitioner

¹⁷⁰ *TTAB Relents*, *supra* note 23.

¹⁷¹ *Houndstooth Mafia Enters.*, 163 F. Supp. 3d at 1155.

¹⁷² *Id.* at 1156.

¹⁷³ *Id.* at 1154.

¹⁷⁴ *Id.* at 1156.

¹⁷⁵ *Id.* (citing *U.S. Bancorp Mortg. Co. v. Bonner Mall P'ship*, 513 U.S. 18 (1994)).

¹⁷⁶ *U.S. Bancorp Mortg. Co. v. Bonner Mall P'ship*, 513 U.S. 18, 19 (1994).

subsequently asked the Court to vacate the judgment of the Court of Appeals on the grounds that the settlement “mooted the case.”¹⁷⁷ The Court unanimously held that “mootness by reason of settlement d[id] not justify vacatur of a judgment under review.”¹⁷⁸ Justice Scalia cited several policy reasons for denying vacatur based on a settlement agreement in this case: first, it is “inappropriate . . . to vacate mooted cases, in which [the Court] ha[s] no constitutional power to decide the merits, on the basis of assumptions about the merits”; second, although vacatur of moot decisions may increase splits among the federal circuits and prolong “debate,” circuit splits are important because they highlight the issues to be analyzed by the Supreme Court; and third, the “availability of vacatur” may “deter settlement[s] at earl[y] stage[s].”¹⁷⁹

The federal court, however, cited 15 U.S.C. § 1071(b)(1), standing firmly on the grounds that it was acting as an appellate court in review of the TTAB’s decision, and therefore, any order by the court must be followed by the board.¹⁸⁰ The court pointed out that the USPTO did not intervene “timely,” it did not take an appeal to the Eleventh Circuit (the “controlling court”), and *U.S. Bancorp* had no binding authority over this case.¹⁸¹ Judge Proctor also cited precedent to back up his stance that the federal court has the final say in conflict between it and administrative agencies.¹⁸²

Under what circumstances may an administrative agency like the TTAB refuse to comply with orders issued by federal courts? According to the federal court in this case, the TTAB must comply because the district court is acting with “appellate jurisdiction” and thus its orders are “mandates” upon the agency.¹⁸³ This argument would make sense if the district court was reviewing the TTAB’s decision as erroneous. But no argument was made or presented on the theory that the TTAB got it wrong concerning the likelihood of confusion element of infringement—in fact, the district court never “received any evidence suggesting that the board’s decision was wrong.”¹⁸⁴

¹⁷⁷ *Id.* at 20.

¹⁷⁸ *Id.* at 29.

¹⁷⁹ *Id.* at 27–28.

¹⁸⁰ *Houndstooth Mafia*, 163 F. Supp. 3d at 1156–57 (“The [district] court [reviewing an inter partes TTAB decision] may adjudge [1] that an applicant is entitled to a registration upon the application involved, [2] that a registration involved should be canceled, or [3] *such other matter as the issues in the proceeding require*, as the facts in the case may appear.” (emphasis added) (citing 15 U.S.C. § 1071(b)(1)).

¹⁸¹ *Id.* at 1156.

¹⁸² *Id.* at 1157 (“Administrative agencies [] are not free to ignore [a] court’s mandates.” (quoting *Youghiogeny & Ohio Coal Co. v. Milliken*, 200 F.3d 942, 950 (6th Cir. 1999)) (alteration in original); “When a lower court is subject to appellate review, it ‘is not free to deviate from the appellate court’s mandate.’” (quoting *Wheeler v. City of Pleasant Grove*, 746 F.2d 1437, 1440 n.2 (11th Cir. 1984)).

¹⁸³ *Id.* at 1156–57.

¹⁸⁴ Charles L. Gholz & Katherine D. Cappaert, *The Solicitor’s Office Should Monitor District Court Reviews of Decisions by the PTAB and the TTAB Intervene When Appropriate*, 92 PAT. TRADEMARK &

Thus, the court's order for the TTAB to vacate its holding came only to satisfy the terms of a consent agreement between the adverse parties—which the TTAB rightfully argues does not bind them to vacate a decision on the merits.¹⁸⁵ With a standoff between the federal courts and the TTAB now erupting, the Director of the USPTO, Michelle Lee, decided to intervene.¹⁸⁶

Fifteen U.S.C. § 1071(b)(2) allows the Director of the USPTO to intervene in actions of concern within its jurisdiction, although it is rare for her to do so.¹⁸⁷ The standoff in *Houndstooth Mafia* presented an occasion important enough to justify intervention by the Director. The Director should intervene “when what the district court either has done or has been asked to do impacts the institutional interests of the PTO.”¹⁸⁸ Given the potential precedential effect of the TTAB's vacatur of a non-erroneous judgment by order of a federal district court by means of enforcing a consent judgment, the USPTO certainly had an institutional interest in the outcome of this case. Unfortunately for the TTAB, however, the Director's motion to intervene was too little, too late. After “sitting on” this decision for a year, the court ruled that the motion to intervene was untimely—and was thus dismissed.¹⁸⁹

After the federal district court's final opinion on the matter, the TTAB reluctantly vacated its judgment—but signaled that the USPTO is retaining the right to possibly seek further review of the matter.¹⁹⁰ Therefore, while the case between the University of Alabama and the Houndstooth Mafia may be over, the legal issue resulting from it remains unsolved.

B. *HOUNDSTOOTH MAFLA* REPRESENTS A STEP IN THE WRONG DIRECTION IN THE POST-*B&B HARDWARE* LEGAL ENVIRONMENT AND THEREFORE THE TTAB SHOULD APPEAL

It is important to keep the timeline of the *Houndstooth Mafia* case in mind. The Supreme Court issued its landmark decision in *B&B Hardware* in March of 2015.¹⁹¹ The case stands for the rule of binding and final decisions of the TTAB on issues of trademark eligibility (such as likelihood of confusion), and

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¹⁸⁵ See *Houndstooth Mafia*, 163 F. Supp. 3d 1156 (“[T]he parties did not have the right to agree among themselves that the Board's precedential decision should be vacated.”).

¹⁸⁶ *Id.* at 1163.

¹⁸⁷ Gholz & Cappaert, *supra* note 184. See 15 U.S.C. § 1071(b)(2).

¹⁸⁸ Gholz & Cappaert, *supra* note 184.

¹⁸⁹ *Houndstooth Mafia*, 163 F. Supp. 3d at 1165.

¹⁹⁰ Gholz & Cappaert, *supra* note 184 (“The Director of the USPTO specifically reserves the right to seek further review of the orders and opinions of the district court in this matter.” (quoting *Bd. of Trs. of the Univ. of Ala. v. Pitts*, Opp. No. 91187103 (I.T.A.B. Mar. 3, 2016)).

¹⁹¹ *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

therefore federal courts are to give proper deference to its holdings on such issues.¹⁹²

The legal action in *Houndstooth Mafia* began in 2008, and in 2013, the TTAB issued its holding in favor of Houndstooth Mafia (that there was no likelihood of confusion between its mark and marks owned by the University of Alabama).¹⁹³ The consent judgment was issued in May of 2014, ordering the TTAB to vacate.¹⁹⁴ With the USPTO Director's motion to intervene dismissed as untimely, the federal court finally held in February 2016 that the TTAB was without authority to decline compliance with the court's order, and thus must vacate according to the terms of the consent judgment.¹⁹⁵ One month later, the TTAB published its order vacating its judgment, but retaining the right to appeal.¹⁹⁶ Given the fact that the district court published its opinion still demanding vacatur of a non-erroneous TTAB holding one year after the precedential decision of *B&B Hardware* was issued, giving preclusive effect to such judgments, the USPTO exercised its right to appeal.¹⁹⁷

The holding of *Houndstooth Mafia* represents a major step in the wrong direction in the post-*B&B Hardware* legal landscape. This case is the first of its kind since the Supreme Court's ruling in 2015, and the USPTO should rely on its holding in appealing the Northern District of Alabama's holding ordering vacatur. *B&B Hardware* gave preclusive effect to TTAB decisions, specifically in that case to likelihood of confusion issues in subsequent trademark infringement action.¹⁹⁸ In *Houndstooth Mafia*, the federal court ordered the TTAB to vacate its decision regarding likelihood of confusion—explicitly disregarding any issue preclusion from the TTAB's holding.¹⁹⁹

If Judge Proctor had followed the Supreme Court's precedent set by *B&B Hardware*, he would have found the TTAB's holding that there was no likelihood of confusion between the two marks at issue to be binding and preclusive. Therefore, the Northern District of Alabama would have given deference to that finding and could not make any subsequent ruling on that issue, let alone order its vacatur. Giving issue preclusion to the TTAB's finding would certainly have favored the defendants in the infringement case at bar, and thus would reward them for putting up a diligent fight at the TTAB

¹⁹² See Cathcart, *supra* note 114.

¹⁹³ *TTAB Relents*, *supra* note 23.

¹⁹⁴ *Id.*

¹⁹⁵ *Bd. of Trs. of the Univ. of Ala. v. Houndstooth Mafia Enters., LLC*, 163 F. Supp. 3d 1150, 1165 (N.D. Ala. 2016).

¹⁹⁶ Gholz & Cappaert, *supra* note 184.

¹⁹⁷ Thomas Vitt, *Federal Judge vs. TTAB – Trademark Battle over Bear Bryant's Houndstooth Hat*, THE TMCA.COM: TRADEMARKS, COPYRIGHT, AND ADVERTISING (Apr. 15, 2016), <http://thetmca.com/federal-judge-vs-ttab-trademark-battle-over-bear-bryants-houndstooth-hat/>.

¹⁹⁸ *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

¹⁹⁹ *Houndstooth Mafia*, 163 F. Supp. 3d 1150.

proceedings. This outcome is precisely what the holding in *B&B Hardware* was designed to effectuate.

Instead, Judge Proctor effectively ignored the Supreme Court by mandating the TTAB to vacate its holding on that specific element of infringement—one year after *B&B Hardware* was decided. In all actuality, the federal court's final holding in *Houndstooth Mafia* is directly adverse to the Supreme Court's in *B&B Hardware*. Therefore, to protect its newly given authority by the Supreme Court, and to eliminate any potential precedential effect of the *Houndstooth Mafia* decision, the USPTO appealed the order of vacatur—but only to voluntarily dismiss its appeal to the Eleventh Circuit shortly thereafter.²⁰⁰ In doing so, the USPTO maintained its position that the court's order was in error.²⁰¹ Based on the foregoing facts and precedent set in *B&B Hardware*, the USPTO should have stood by its appeal. Now, without the opportunity for the Eleventh Circuit to make a determination on the legality of the court's order, the relationship between the courts and the USPTO has taken a tragic step backwards to the pre-*B&B Hardware* era.

IV. CONCLUSION

Given the Supreme Court's decision in *B&B Hardware*, holding that federal courts must give preclusive effect to determinations made by the TTAB,²⁰² the USPTO erred by dismissing its appeal of the Northern District of Alabama's order to vacate their non-erroneous holding. Its dismissal wastes a golden opportunity to strengthen the agency by giving precedential power to *B&B Hardware*.

This Note begins by introducing trademark law in the context of the recent trend by universities of enforcing proper use of their marks through the legal system. Ultimately, the Note focuses on the evolving relationship between the federal courts and the USPTO, specifically in light of the recent decision in *Houndstooth Mafia*. This relationship underwent a major change after the Supreme Court's decision in *B&B Hardware*. The trademark system was originally designed as follows: litigants before the TTAB challenged the registration of marks, and either simultaneously or subsequently challenged infringement of those marks in the federal courts.

²⁰⁰ Ira S. Sacks & Rachel B. Rudensky, *USPTO Drops 11th Circuit Appeal of ND Alabama Order in Houndstooth Case*, MARKS, WORKS, & SECRETS: AKERMAN INSIGHTS ON THE LATEST DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW (May 16, 2016), <http://www.marksworksandscrets.com/2016/05/uspto-drops-11th-circuit-appeal-of-nd-alabama-order-in-houndstooth-case/>.

²⁰¹ *Id.*

²⁰² *TTAB Relents*, *supra* note 23 (“TTAB rulings can have preclusive effects on infringement suits . . .”).

Before 2015, however, litigants unsatisfied with TTAB decisions could relitigate the same issues before the federal courts—thus manipulating the system by challenging holdings on the specific findings of fact.²⁰³ Even though the federal courts may have appellate jurisdiction²⁰⁴ over the TTAB holdings, issues of appeal are issues of law and not of findings of fact. The *B&B Hardware* decision is aimed at making the original design of this hierarchy work by giving preclusive effect to findings by the TTAB. Therefore, litigants cannot simply go around the TTAB and hope for better luck in the courts on the same issues.

Houndstooth Mafia represents the first challenge since *B&B Hardware* to this relationship “dynamic.”²⁰⁵ The TTAB made a non-erroneous finding of no likelihood of confusion. The federal court ordered vacatur of the TTAB’s holding in order to satisfy the terms of a consent agreement between the parties. The TTAB, in resisting the court order, was correct—and based on *B&B Hardware*, the federal court was in error. This finding of fact by the TTAB on the element of likelihood of confusion must stand, and the court must give deference to this finding. It may simply not be dismissed either because the parties want it to be or because the court believes it has the authority to order it so.

Although the USPTO initially appealed the order to vacate, it shortly afterward chose to “quietly” dismiss its appeal and end the years-long “standoff.”²⁰⁶ But by going through with the appeal of this order, the TTAB would retain its authority granted by the Supreme Court in *B&B Hardware*. The federal court’s order in *Houndstooth Mafia* seems to give no deference to the holding of that case. In fact, it represents a step backwards by giving absolutely no preclusive effect to the TTAB’s findings. The outcome is such that federal courts could, at will, order vacatur of TTAB findings given the circumstances of the case at bar. If the vacatur of non-erroneous TTAB determinations is on the table in court, and appeals to either the parties or the bench, then what real power do they have? A judge may simply sign an order to eliminate its holdings based on the fact that it is an agency and not a court. Unfortunately, because the USPTO chose not to continue with its appeal, it appears that unrestrained

²⁰³ For example, in *Houndstooth Mafia* the TTAB held there was no likelihood of confusion—which favored the Houndstooth Mafia. The University also brought an infringement action in the federal court. Likelihood of confusion is likewise an element of infringement. Because the element had been found by the TTAB to not exist here, the University would lose in the federal court on the infringement case if preclusion was given to that issue. Therefore, it was beneficial for the University to settle—but on the condition that the court order the TTAB to dismiss its holding on the likelihood of confusion element, for precedential purposes. Thus, the University found a way around the TTAB by manipulating the rules.

²⁰⁴ 15 U.S.C. § 1071(b)(1).

²⁰⁵ *TTAB Relents*, *supra* note 23.

²⁰⁶ Bill Donahue, *USPTO Drops 11th Circ. Appeal Of Alabama TM Ruling*, LAW360 (May 2, 2016), <http://www.law360.com/articles/791321/uspto-drops-11th-circ-appeal-of-alabama-tm-ruling>.

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judicial authority over the administrative agency will continue unchecked—even given *B&B Hardware*.

What do the TTAB's holdings mean if they carry no binding authority in court? An appeal by the USPTO here would give weight to the *B&B Hardware* holding and empower the agency. Litigants will be incentivized to dedicate more time and resources to proceedings before the TTAB. Importantly, it would set a precedent reinforcing the TTAB's critical place in trademark law. Sadly, however, the USPTO chose to take a knee rather than to go into overtime. The USPTO was correct in maintaining its stance on the preclusive effect of its non-erroneous holdings, but erred in dismissing its appeal—thereby losing the opportunity to reinforce *B&B Hardware* and improve the relationship it has with the federal courts.