

2020-1196

United States Court of Appeals
for the Federal Circuit

PIANO FACTORY GROUP, INC., SWEET 16 MUSICAL
PROPERTIES, INC.,

Appellants,

v.

SCHIEDMAYER CELESTA GMBH,

Appellee,

ANDREI IANCU, Director, U.S. Patent and Trademark Office,

Intervenor.

*Appeal from the United States Patent and Trademark Office,
Trademark Trial and Appeal Board, Case No. 92061215*

**CORRECTED REPLY BRIEF OF APPELLANTS PIANO
FACTORY GROUP, INC. and SWEET 16 MUSICAL
PROPERTIES, INC.**

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT****CERTIFICATE OF INTEREST****Case Number** 2020-1196**Short Case Caption** Piano Factory Group, Inc v. Schiedmayer Celesta GmbH**Filing Party/Entity** Sweet 16 Musical Properties, Inc. and Piano Factory Group, Inc

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Date: 07/21/2020Signature: /s/ Adam StephensonName: Adam R. Stephenson

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4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

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5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court’s decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

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Arthrex, Inc. v. Smith & Nephew, Inc., et al., No. 18-2140 (Fed Cir. 2019)		
Soler-Somohano v. Coca-Cola Company, Nos. 19-2414, 20-1406, 20-1688, 20-1245 (Fed Cir. 2020)		

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STANDARD OF REVIEW

The Board’s factual determinations are reviewed for substantial evidence. *In re Viterra Inc.* 671 F.3d 1358, 1361 (Fed. Cir. 2012). The Board’s decision is also reviewed for legal error, which is conducted *de novo*. The issues raised in this appeal concern both the Board’s factual and legal conclusions and are reviewed by this Court 1) to determine whether the Board’s decision is supported by substantial evidence and 2) whether the Board committed legal error in the decision. The Court summarized what is substantial evidence in *Viterra* (at 1361):

Substantial evidence is “‘more than a mere scintilla’ and [is] ‘such relevant evidence as a reasonable mind would accept as adequate’ to support a conclusion.” *In re Pacer Tech.*, 338 F.3d 1348, 1349 (Fed. Cir. 2003) (quoting *Consol. Edison v. NLRB*, 305 U.S. 197 (1938)). Accordingly, “[w]here two different conclusions may be warranted based on the evidence of record, the Board’s decision to favor one conclusion over the other is the type of decision that must be sustained by this court as supported by substantial evidence.” *In re Bayer Aktiengesellschaft*, 488 F.3d 960 at 970 (Fed. Cir. 2007) (alterations in original) (parallel citations omitted).

INTRODUCTION

The Appellee and Andrei Iancu, the Director of the USPTO (hereinafter referred to as “Intervenor”), urge this Court to uphold a legally flawed decision by the Trademark Trial and Appeal Board (TTAB) which found a false suggestion of a connection between the Appellant’s mark SCHIEDMAYER and the Appellee. The Appellee also urges this Court to disregard Appellant’s defense of laches and

to disregard the arguments made that the Board's decision was made by unconstitutionally appointed administrative trademark judges.

As outlined in the Intervenor's Brief, there are five primary issues:

1. Whether substantial evidence supports the Board's decision that the '759 Registration should be cancelled because the mark "may ... falsely suggest a connection with" Appellee and whether the Board's legal analysis of that question was correct;
2. Whether the Board abused its discretion in considering evidence from currently-available websites and sources as proof of the fame of the Schiedmayer family's name for keyboard instruments as of 2007;
3. Whether the Board abused its discretion in rejecting Appellant's laches defense;
4. Whether the Appellant forfeited its constitutional challenge to the appointment of the administrative trademark judges of the TTAB by failing to present that challenge to the Board panel in the proceedings below;
5. Whether administrative trademark judges are inferior officers of the United States under the Appointments Clause, rather than principal officers, and therefore may constitutionally be appointed by the Secretary of Commerce.

Intervenor's Brief, p. 1-2.

Each of these issues are addressed in turn in the Intervenor's Brief.

Regarding the issues separate from the above that are raised in the Appellee's Brief, the Appellee attacks the Appellant as engaging "in a deceptive practice known as 'stencil pianos.'" *Appellee's Brief*, p. 9. The practice of stencil pianos is the practice of branding a piano with a trademark, which in some cases is a former brand that has long been abandoned, and which brand is different than the use of the manufacturer of the piano. While the Appellee argues that this practice is a "sinister scam upon the unaware," (*Id.* at 12), the record shows that the practice of selling stencil pianos is a common practice in the piano industry for decades. Appx0861, Appx864. Indeed, the record reflects that SCHIEDMAYER has been a stencil piano brand since 1980 inasmuch as Rud, Ibach, and Sohn had Kawai (and other piano makers) manufacture pianos which they then labeled as a SCHIEDMAYER piano. Appx0909.

Examples of stenciled pianos sold by other piano companies include the current piano brands WINTER, BRAMBACH, HENRY F. MILLER, HARDMAN, and HALLET, DAVIS & CO. Appx0915. Indeed, according to Glenn Treibitz, the owner of Appellant, the piano brands that only sell stencil pianos include BOSTON, ESSEX, RITMULLER, CUNNINGHAM, HARDMAN, KOHLER CAMPBELL, HALLET DAVIS, SCHILLER, WILLIAMS, HUPFIELD, KIMBALL, and WENDELL & YOUNG. Other piano brands also sell stencil pianos alongside their other offerings, including STEINWAY, BLUTHNER, PEARL RIVER, GUITAR CENTER, NORTH AMERICAN MUSIC, and

SCHIMMELL. Approximately 80% of the world's piano manufacturing takes place in China. Only a very few high end piano brands do not buy Chinese-made pianos.

The Board, in its precedential decision, took a legally flawed stance against this common industry practice. Through its disregard of the facts and misinterpretation of the law, the Board's position against the practice of stencil pianos will have a long felt effect on the piano industry and many other industries where it is common practice to have an outside manufacturer, which is often Chinese, make a product for a company which then applies its own trademarks to the product to indicate that the source of the product is the company. This practice of selling products under a house brand that meet a company's quality standards (often called "white labeling") is carried out by the most valuable brands in the world, forming the house brands of companies like WalMart, Costco, Walgreens, CVS, Kroger, and numerous other retailers and manufacturers.

Finally, contrary to Appellee's aspersions, Appellant has two sales locations in California (Burbank and Pasadena) operating under the HOLLYWOOD PIANO® mark. The National Association of Musical Merchants (NAMM) has selected Hollywood Piano from 10,000 worldwide members as a Top 100 dealer in 2012, 2015, 2017, and 2018 (Appx0766). Hollywood Piano currently ranks in the top 20 of piano dealers by volume sold in the entire United States.

The arguments in this Brief further address each of the five issues outlined above, with the first two issues consolidated into a single section inasmuch as the second issue must be determined prior to conclusively determining the first issue.

ARGUMENT

I. Whether substantial evidence supports the Board’s decision that the ’759 Registration should be cancelled because the mark “may ... falsely suggest a connection with” Appellee.

As outlined in *University of Notre Dame v. J.C. Gourmet Food Imports Co.*, 703 F.2d 1372 (Fed. Cir. 1983), four elements must be present to establish a false association claim, the second and fourth elements being at issue in this appeal: (2) the mark would be recognized as such, in that it points uniquely and unmistakably to plaintiff, and (4) plaintiff’s name or identity is of sufficient fame or reputation that when the challenged party uses the mark in connection with their goods or services, consumers will presume a connection with Plaintiff. Appx0015; *see also* Trademark Manual of Examining Procedure (TMEP) § 1203.03(c)(i) (Oct. 2018) (citing, *inter alia*, *Univ. of Notre Dame*, 703 F.2d at 1375-77; *Buffett v. Chi-Chi’s, Inc.*, 226 USPQ 428, 429-30 (TTAB 1985)). The Appellant maintains that its use of SCHIEDMAYER does not point uniquely and unmistakably to the Appellee and that the Appellee’s name or identity is not of sufficient fame or reputation that when the Appellant uses the mark in connection with pianos, consumers will presume a connection with the Appellant.

1. The Board Erred in Finding that SCHIEDMAYER Points Uniquely and Unmistakably to the Appellee.

In arguing that Appellant's use of the mark SCHIEDMAYER points uniquely and unmistakably to the Appellee, the Intervenor argues that a predecessor of Appellee "once licensed a third-party to use the name on pianos." *Intervenor's Brief*, p. 12. The Intervenor further argues that "these third party uses were uses by others of *Schiedmayer Celesta's* SCHIEDMAYER trademark for goods closely related to those Schiedmayer Celesta continued to sell." *Id.* at 22. It appears that the Intervenor is now openly acknowledging the fact that in 1980 the Schiedmayer family transferred rights to the mark SCHIEDMAYER to be used with pianos, but is arguing that the transfer of rights was a license that was quickly terminated. Indeed, the Intervenor's argument hinges on the assumption that use of the trademark was only ever **licensed** to a third party and that the license was quickly terminated. This argument is flawed for multiple reasons.

First, Intervenor's assertion directly contradicts the Board's factual findings in its opinion which state "[T]he trademark SCHIEDMAYER was **never** sold, **licensed**, assigned or in any way transferred to Rud. Ibach & Sohn." Appx0007, emphasis added. Indeed, never has the Appellee or Board argued that the transfer of trademark rights to use SCHIEDMAYER in conjunction with pianos in 1980 was a license of trademark rights.

Second, Intervenor's assertion is supported by no evidence in this record that the transfer of trademark rights in 1980 was a license. Indeed, there were no records of any kind of written agreement produced during discovery by the Appellee from forty years ago between Georg Schiedmayer and Rud. Ibach & Sohn. Accordingly, the argument that Rud. Ibach & Sohn was nothing more than a licensee and that subsequent users of the SCHIEDMAYER mark for pianos were holdover licensees is entirely unsupported by any of the evidence of record.

Instead, the record supports that a sale or assignment of the rights to the mark SCHIEDMAYER took place to Rud. Ibach & Sohn rather than a license. As previously set forth by the Appellant, "according to every authoritative reference on piano provenance the Appellant has reviewed, Georg Schiedmayer transferred rights to the SCHIEDMAYER trademark for pianos in 1980 to Rud Ibach & Sohn at the same time he sold the piano line to Rud Ibach & Sohn." *Appellant's Brief*, p. 4-5. While the Board did not give weight to these references for the truth of the matter asserted, as the Intervenor itself argues, "[O]bviously, any sort of publication, whether a book, an article, or an Internet web page, can reflect only facts that have already occurred." *Intervenor's Brief*, p. 28. This admission by Intervenor indicates that the facts on this point should have been considered by the TTAB when rendering its decision.

Further, as acknowledged by the Appellee, subsequent to the 1980 transfer, numerous companies operated for decades under the belief they had rights to the

registered “Schiedmayer S” logo which included the printed name “Schiedmayer.” Appx0795. Appellee has provided no evidence in this record that it or any of its successors in interest or any other members of the Schiedmayer family ever took any action in the US or Europe against any of these companies to stop use of SCHIEDMAYER for pianos. Indeed, the lack of any action taken against the third parties using the SCHIEDMAYER mark over 20 years is a strong indication that Georg Schiedmayer, who entered into the joint venture with Rud. Ibach & Sohn, sold, not licensed, the SCHIEDMAYER mark to a third party for use on pianos and thus implicitly consented to these companies’ use in the United States.

Accordingly, there is no support for the Intervenor’s new argument that the trademark was ever licensed in 1980. The existence of a license is essential to Intervenor’s argument that other’s use of the SCHIEDMAYER mark by the other companies over these decades still created an association with the Appellee. Intervenor, however, has produced no evidence from the record that Appellee reserved any quality control rights via contract or actually took any quality control action during the decades others used the SCHIEDMAYER mark for pianos. Thus there simply is no evidence to support Intervenor’s assertion that a license ever existed.

Further, in reaching the conclusion that the mark SCHIEDMAYER did in fact point uniquely and unmistakably to the Appellee, the Board, the Intervenor, and also the Appellee, errs in the treatment of the evidence presented. On p. 4 of the

Appellant's Brief, the Statement of Facts outlines that the Appellee admits that Georg Schiedmayer collaborated with Rud Ibach & Sohn to produce pianos, but shortly withdrew from this collaboration. Appellant's Statement of Facts further states that while the Appellee contends that no trademark rights were ever transferred, "according to every authoritative reference on piano provenance the Appellant has reviewed, Georg Schiedmayer transferred rights to the SCHIEDMAYER trademark for pianos in 1980 to Rud Ibach & Sohn at the same time he sold the piano line to Rud Ibach & Sohn." In response to this, the Appellee argues on p. 4 of their Brief that evidence discussing this sale of trademark rights "is completely incorrect, factually wrong, and should never have been included in Appellant's Brief."

The Appellee however has misinterpreted what the Appellant is stating. The Appellant is stating that while Appellee contends that trademark rights were never transferred, every other reference on this matter that the Appellant can find states that a sale did happen. The Appellant is not arguing the truthfulness of the references, but is only relying on the references in the record for what they show on their face. While the Board had originally disregarded this evidence as it was not admissible for the truth of the matters asserted (Appx0021), the Appellant reiterates that, commensurate in scope with the Board's treatment of the remaining evidence, these references should be admissible for consideration for what they show on their face. Appx0023.

Whether or not the statements are true, the Appellant's references state that trademark rights were transferred and sold to Rud Ibach & Sohn. Appx0777. Further, both the Appellant and the Appellee agree that since 1980, others have produced numerous SCHIEDMAYER branded pianos. Appx0263. The legal test to be applied is whether or not SCHIEDMAYER points uniquely and unmistakably to the Appellee. It cannot be stated that SCHIEDMAYER points uniquely and unmistakably to the Appellee when history, as discussed in references relied upon and written by experts in the piano industry, teach that SCHIEDMAYER points to pianos made by manufacturers different than Appellee. Further, it cannot be stated that SCHIEDMAYER points uniquely and unmistakably to the Appellee when the Appellee willingly admits that since 1980, others have sold SCHIEDMAYER branded pianos (Appx0263) and the Appellee has never sold or manufactured a piano (Appx0748), nor did Georg Schiedmayer make and sell pianos after 1980 (Appx0245).

The Board also failed to consider the evidence in the file history of the examination of the instant registration. Appellant notes that the Intervenor wrongly discredits the evidence presented by the Examining Attorney who examined the application of the instant mark. *Intervenor's Brief*, p. 23-24. On p. 24 of the Intervenor's Brief the Intervenor argues "that the registration was allowed on a particular evidentiary record has no bearing on whether the Board can reach a different conclusion on an entirely different and more substantial evidentiary

record in an inter partes proceeding. *See, e.g., Miss Universe L.P. v. Community Marketing, Inc.*, 82 USPQ2d 1562, 1571 (TTAB 2007) (“it is not dispositive or even relevant that applicant was able to convince the Trademark Examining Attorney during ex parte examination to pass applicant’s mark to publication.”).”

While the Intervenor argues that “evidence adduced in the cancellation proceeding undermined the argument that Sweet 16 made to the examining attorney to obtain the registration after the initial refusal,” the evidence the Appellant wishes to present is not the arguments made to the Examining attorney and the proof of registration, but rather the initial factual findings of the Examiner from 2003 that the mark SCHIEDMAYER pointed to Rud. Ibach & Sohn at the time of registration of the mark. Appx0929-0930. Indeed, this evidence of what the Examining attorney found cannot be discredited as it is critically the sole evidence dating from the time of registration in this record regarding whether a consumer would believe that the mark SCHIEDMAYER in use on pianos was associated with someone other than the Appellee at the time of registration.

Finally, the Appellant reiterates that the standard is whether use of the mark points uniquely and unmistakably to the Appellee. In assessing this, the Intervenor conveniently and repeatedly omitted the word “unmistakably” throughout their analysis. *Intervenor’s Brief*, p. 20-25. As the record reflects, every authoritative text teaches that SCHIEDMAYER, as used on pianos, points to other entities aside from the Appellee until the ultimate abandonment of the

SCHIEDMAYER mark for pianos at the time of the winding down of Rud. Ibach & Sohn. Likewise, **at the time of registration** the Examining Attorney believed that SCHIEDMAYER pointed to another entity besides the Appellee—none other than Rud. Ibach & Sohn. Accordingly, it cannot be said that SCHIEDMAYER, as used on pianos, points uniquely and unmistakably to the Appellee. In turn, the Board has erred in determining that a false association exists between the Appellee and the SCHIEDMAYER mark.

2. The Board Erred in Finding that the Appellee’s Name is of Sufficient Fame or Reputation that When Appellant Uses the Mark, in Connection with Their Goods or Services, a Connection with the Appellee Would be Presumed.

The Appellant argued, on p. 28-29 of the Appellant’s Brief, that the Board erred in determining that the Appellee’s name was of sufficient fame or reputation that when Appellant uses the mark, in connection with pianos, a connection with the Appellee would be presumed. The Appellant presented two primary arguments: First, that the goods of the Appellant are sufficiently different from the goods of the Appellee, and second, that the Board incorrectly relied on evidence available only **after** the time of registration to establish fame. The Intervenor’s Brief responded to both of these points, to which the Appellant in turn responds.

i. The Difference in Goods

In reaching its decision that SCHIEDMAYER points uniquely and unmistakably to the Appellee, the Board stated that it considered the Appellant’s

goods to be “keyboard musical instruments” rather than the goods stated on the registration certificate, pianos. Appx0019-0022. To reiterate, the Appellee has already admitted that a piano is not the same instrument as a celesta. Appx0751. The Appellee has further admitted that the sound of a celesta is not confusingly similar to the sound of a piano. Appx0752. Finally, the Appellee admitted that it has never manufactured a piano. Appx0748.

On p. 26 of the Intervenor’s Brief the Intervenor argues that “a claim of false association ‘does not require proof’ that a prior user’s famous reputation ‘is closely related to an applicant’s goods.’” *In re Pedersen*, 109 USPQ2d 1185 at 1202 (TTAB 2013). While this may be true in some situations, it cannot be said to be true when for a span of 25+ years immediately prior to the registration of the SCHIEDMAYER mark, third parties made and sold SCHIEDMAYER branded pianos acting as though they had the rights to do so with the trademark. The record reflects that Appellee transferred rights to the SCHIEDMAYER mark to be used with pianos. Appx0263. Whether or not such a transfer occurred, every authoritative text consulted by Appellant teaches that it did in fact occur, and the record establishes that others produced and sold SCHIEDMAYER branded pianos. Appx0777, Appx0791, Appx0786). The Appellee cannot be considered famous for pianos when it has never manufactured a piano and others for the past 30 years have been making and selling SCHIEDMAYER branded pianos unaffiliated with and unrestrained by the Appellee.

ii. The Board abused its discretion in considering evidence from currently-available websites and sources as proof of the fame of the Schiedmayer family's name for keyboard instruments as of 2007.

The Appellant previously pointed out that “the Board reached their conclusion that the Appellee’s name is of sufficient fame or reputation because ‘Schiedmayer keyboard musical instruments have won many awards, are used by prominent United States orchestras, a Schiedmayer keyboard musical instrument is on permanent display at the Boston Museum of Fine Arts, and Internet reference works and search results identify SCHIEDMAYER with keyboard musical instruments from the Schiedmayer family and essentially nothing else.’”

Appx0022. To reiterate, the awards won by the Appellee range between 31-110 years **prior** to the registration of the instant SCHIEDMAYER mark and all internet evidence, which the Board clearly relied upon, is evidence from 10 years **after** the registration of the SCHIEDMAYER trademark. Appx0509-0510.

In response to this, the Intervenor **agrees** with the Appellant that “a false association claim must look to the facts as they existed at the time the mark in question was registered. *See, e.g., Hornby*, 87 USPQ2d at 1424.” *Intervenor’s Brief*, p. 28. In an attempt to reconcile this admission with the Board’s erroneous decision, the Intervenor argues that “[O]bviously, any sort of publication, whether a book, an article, or an Internet web page, can reflect only facts that have already occurred.” *Intervenor’s Brief*, p. 28. This argument is error. The Board specifically relied upon the internet searches to show “that certain searches and

materials point to Ms. Scheidmayer's family and its businesses and their musical instruments." Appx0023, footnote 15. The Board relied on the internet searches to prove that the searches and internet material existed which were intended to show a clear association to the Schiedmayer family. Indeed, the Board relied upon the existence of these references to show the extent to which internet searches for "Schiedmayer" are tied to the Appellee. The problem with this analysis is that regardless of what the internet search results from 2017, these internet search results **did not exist at the time of registration**. Accordingly, the Board cannot rely upon these references to show the extent of the searches and materials pointing to the Schiedmayer family when these searches and material were **non-existent at the time of registration**.

Because the Board wrongly relied upon evidence that existed only **after** the time of registration to establish the fame of the Appellee, and because the Board has failed to properly identify and distinguish the goods of the Appellant and the Appellee, the Board erred in finding that the Appellee's name is of sufficient fame or reputation that when Appellant uses the mark in connections with pianos, a connection with the Appellee would be presumed.

iii. The Board improperly found that Appellee held the rights of Ms. Schiedmayer and the Schiedmayer family simply because it has SCHIEDMAYER in its name.

As stated in Appellant's Brief, the Board committed reversible error by finding that Appellee, the entity Schiedmayer Celesta GmbH, is the same as and represents the natural persons Elianne Schiedmayer and all other unidentified persons ambiguously referred to in the decision as the "Schiedmayer family." *Appellant's Brief, p. 19-20.* The failure to join Ms. Schiedmayer and any other natural person who has the last name Schiedmayer fatally dooms the Appellee's and the Board's assertion that Appellee has standing to bring this action on their behalf.

Accordingly, the Board erroneously adjudicated Appellee's rights as though these rights were those of all natural Schiedmayers even though no natural Schiedmayer was joined in the proceeding. This fundamental error further infects the Board's analysis that Appellee was the sole entity to which the mark SCHEIDMAYER pointed at the time of registration for pianos—given that there are other individuals with the last name SCHEIDMAYER, the failure to join natural Schiedmayers and present evidence on this issue in the record seriously weakens the Board's conclusion that SCHIEDMAYER unmistakably pointed to Appellee at the time of registration. Appx0020.

Furthermore, this error is not inconsequential to the question of whether the mark points clearly and unmistakably to the Appellee at the time of registration

because the mark SCHIEDMAYER is a surname borne by other members of the Schiedmayer family—any one of which the mark could also point to. Surname marks are not inherently distinctive for this reason, and evidence supporting acquisition of secondary meaning is required for registration of the same on the Principal Register.¹

While Intervenor attempts to sidestep this issue in its Brief of p. 17 by saying that Appellee has separate standing to bring this proceeding as a party potentially injured by the mark, the Board’s analysis does not depend on that point. Instead, the Board’s decision repeatedly refers to Appellee as the “Schiedmayer family” operating to assign to Appellee all of the rights jointly held by all natural Schiedmayers collectively with Appellee as a legal entity. This is fundamental error, both jurisdictional and legal, for the Board to 1) attempt to adjudicate this proceeding as though Appellee held all the rights of the natural members of the Schiedmayer family and 2) also find that Appellee was the clear and unmistakable holder at the time of registration of the all rights of the family members when no natural Schiedmayers were joined in this proceeding. Why is Appellee entitled to all the rights of the natural Schiedmayers to pianos simply because it decided, as a legal entity, to file a cancellation petition and uses the surname mark for celestas and glockenspiels? This issue is a consequence of the mark at issue being primarily

¹ 15 U.S.C. § 1052

a surname and the failure of Appellee to join at least one natural Schiedmayer as a petitioner in the cancellation proceeding.

II. The Board abused its discretion in rejecting Appellant's laches defense.

On p. 15 of its Brief the Appellant argued that the Board entirely failed to consider the significant material prejudice from the legal effects of preclusion and collateral estoppel caused by cancelling Appellant's registration via a TTAB decision, particularly a precedential one. In response to this, the Appellee and Intervenor argued that because this issue was never raised before the TTAB, it should be waived. *Appellee's Brief, p. 17; Intervenor's Brief, p. 30.*

“Certainly there are circumstances in which a federal appellate court is justified in resolving an issue not passed on below.” *Singleton v. Wulff*, 96 S.Ct. 2868 (1976). The Appellant never raised this particular issue before the Board because the material prejudice to the Appellant is a result of the decision of the Board, which did not exist until it was handed down. Accordingly, this issue is one that can and must be considered at this time by this Court.

The Appellant firmly maintains that the false association decision by the Board was reached in error. However, the Board made its decision and with it in hand, the Appellee could file a trademark infringement action based on section 43(a) of the Lanham Act² as argued on p. 15-18 of the Appellant's Brief. Further, the recent

² 15 U.S.C. § 1125(a)(1).

Supreme Court's decision in *Romag Fasteners, Inc. v. Fossil, Inc.* reinforces the material prejudice to the Appellant as a result of the Board's decision. No. 18-1233, slip op. at 3 (U.S. April 23, 2020). According to this case, if the Appellee were to sue the Appellant under section 43(a) of the Lanham act, it would not need to prove any kind of willfulness in order to recover the Appellant's profits. *Id.* at 7. For at least these reasons, the Appellant maintains that it has definitely suffered material prejudice as a result of the decision by the Board sufficient that the cancellation action by the Appellee should be barred by laches.

On p. 31 of the Intervenor's Brief the Intervenor argues that there is no support for the Appellant's laches argument because "[I]ssue preclusion requires...that the issue in the two proceedings be identical and that the first proceeding actually litigate and decide the issue. *See, e.g., Stephen Slesinger, Inc. v. Disney Enters., Inc.*, 702 F.3d 640, 644 (Fed. Circ. 2012)." The Intervenor reasons that because the standard to find false association is not identical to the standard applied in an infringement proceeding, that issue preclusion would not apply. *Intervenor's Brief*, p. 31. Further, the Intervenor argues that because factual circumstances may be different, it cannot be said that issue preclusion would apply. *Id.* at 32. These arguments are made in error because, practically speaking, the issues and factual circumstances need only be related, not identical, in order for a Court to rely on *B&B Hardware* and cause issue preclusion. 135 S.Ct. 1293 (2015).

In *Ashe v. PNC Financial Services Group, Inc.*, 165 F. Supp. 3d 357 (D. Md. 2015), dismissed, 647 Fed. Appx. 156 (4th Cir. 2015, on reh'g, 652 Fed. Appx. 155 (4th Cir. 2016), the district court found that the TTAB's determination of prior use in the opposition proceeding involved the same issue as a required element of a trademark infringement claim.

In *Cesari SRL v. Peju Province Winery LP et al.*, Case No. 1:17-cv-00873 (S.D.N.Y. Dec. 11, 2017), the district court found that the TTAB's finding of a likelihood of confusion precluded the likelihood of confusion elements in a subsequent trademark infringement lawsuit despite the Defendant's actual use of the mark in the litigation proceeding differing from the usage of the mark adjudicated by the TTAB. Despite this difference, the district court still found the issue to be precluded.

Further, the Supreme Court decided *B&B Hardware*³ after specifically considering procedural differences between a TTAB proceeding and a District Court proceeding,⁴ the differences in stakes between a TTAB proceeding and a District Court proceeding,⁵ and even differences between the various factors considered by the TTAB and the Eighth Circuit.

³ 135 S.Ct. 1293, at 1297 (2015).

⁴ *Id.* at 1309.

⁵ *Id.* at 1309-1310.

Accordingly, Courts have liberally relied on *B&B Hardware* to preclude issues even if the issues are not entirely identical and the factual circumstances differ. Because of this, the preclusive effect of the Board’s decision must be taken into consideration when determining the harm to the Appellant even though the Appellee argues that the issue could not be precluded because they do not believe the issues are identical. *Appellee’s Brief*, p. 17-18. Ultimately it does not matter what Appellee or Intervenor think on this issue—it will be what a district court judge thinks that will determine whether issue preclusion applies or not.

Laches is an equitable defense designed to prevent a party from sitting on their rights. As conceded by the Appellee, the Schiedmayer family watched others use the SCHIEDMAYER mark in conjunction with pianos from 1980 to 2014 without taking any kind of action against any of them (Appx0795). There is no fairness or equity in allowing the Schiedmayer family (assuming for the sake of argument that Appellee actually represents the family) to take action against the Appellant after sitting on their rights for 34 years.

III. The Appellant did not forfeit their constitutional challenge to the appointment of the administrative trademark judges of the TTAB by failing to present that challenge to the Board in the earlier proceedings below as it was futile to do so.

Although “[i]t is the general rule... that a federal appellate court does not consider an issue not passed upon below,” the Federal Circuit has discretion to decide when to deviate from that general rule. *Arthrex, Inc. v. Smith & Nephew*,

Inc., et al., 941 F.3d 1320, 1326 (C.A.F.C. 2019), citing *Singleton v. Wulff*. “The Supreme Court has included Appointments Clause objections to officers as a challenge which could be considered on appeal even if not raised below.” *Id.*, citing *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878-79 (1991); *Glidden Co. v. Zdanok*, 370 U.S. 530, 535-36 (1962). In *Freytag*, because “the structural and political roots of the separation of powers concept are embedded in the Appointments Clause,” the Court concluded that the case was one of the “rare cases” in which it should exercise “discretion to hear petitioners’ challenge to the constitutional authority.” *Id.*, citing *Freytag* at 879.

The case at hand is precisely the same. Because this Court has discretion to hear the constitutional challenge to the appointment of the administrative judges of the TTAB, and because this case is analogous to other “rare cases” where the petitioner was heard despite not earlier raising the argument, the Appellant has not forfeited their constitutional challenge by not raising it in the earlier proceedings. Indeed, Intervenor’s argument is exactly that dismissed by this Court in *Arthrex*: “We agree with *Arthrex* that the Board was not capable of providing any meaningful relief to this type of Constitutional challenge and it would therefore have been futile for *Arthrex* to have made the challenge there. ‘An administrative agency may not invalidate the statute from which it derives its existence and that it is charged with implementing.’ *Jones Bros., Inc. v. Sec’y of Labor*, 898 F.3d 669, 673 (6th Cir. 2018).” *Arthrex* at 1339, emphasis added.

Appellant notes that on p. 36-37 of the Intervenor’s Brief, the Intervenor argues that this case stands separate from *Arthrex* inasmuch as this case deals with administrative trademark judges (ATJs) rather than administrative patent judges. The Intervenor argues that because a single member of the TTAB could in theory render a decision, and because the Director of the USPTO is a member of the TTAB, it would have been possible to reassign this case to an officer without the alleged defective appointment, thereby eliminating any potential constitutional infirmity. *Intervenor’s Brief*, p. 37. Appellant observes that this is simply a distinction without a difference. First, pursuant to *Freytag*, this difference in no way prevents this Court from hearing the constitutional challenge. Second, practically speaking, while the Intervenor argues that in theory the case could have been reassigned to the Director of the USPTO, this did not happen in this case, and due to USPTO procedure, would be assured to never happen in the future. Accordingly, this loophole in the statute that the Intervenor fixates upon is meaningless as it does not create any practical difference between administrative patent judges and ATJs.

IV. Administrative trademark judges are not inferior officers of the United States under the Appointments Clause, and therefore cannot constitutionally be appointed by the Secretary of Commerce.

The Appellee and the Intervenor do not contest that ATJs are officers—the issue is whether they are principal or inferior officers. The Supreme Court has “not

set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes.” *Edmond v. United States*, 520 U.S. 651 at 661 (1997). However, “[g]enerally speaking, the term ‘inferior officer’ connotes a relationship with some higher ranking officer or officers below the President: Whether one is an ‘inferior’ officer depends on whether he has a superior.” *Id.* at 662. In determining whether an officer has a “superior” the Court in *Edmond* emphasized three factors: (1) whether an appointed official has the power to review and reverse the officers’ decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official’s power to remove the officers. *Id.* at 664-65; *see also Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d at 1338.

1. Removal Power

The only two presidentially appointed officers that provide direction to the USPTO are the Director of the USPTO and the Secretary of Commerce. Both the Director and the Secretary of Commerce lack unfettered removal power. This is evidence that ATJs are principal officers.

As reiterated in *Arthrex*, removal power over an officer is “a powerful tool for control” when it is unlimited. *Arthrex* at 1332, citing *Edmond* at 664. The removal authority the Director and Secretary of Commerce have over ATJs is subject to the limitations of Title 5 which require that ATJs may be removed “only for such cause as will promote the efficiency of the service.” 5 U.S.C. § 7513(a).

Accordingly, the ATJ can only be removed if their work will hurt or is hurting the agency—for cause. Further, § 7513 sets forth procedural limitations on the Director’s removal authority over ATJs.

As admitted by the Intervenor, “the Director and the Secretary of Commerce have the same authority to remove administrative trademark judges as they did with respect to the administrative patent judges in *Arthrex*.” *Intervenor’s Brief*, p. 53. In *Arthrex*, the Court analogized APJs to the CRJs in *Intercollegiate* and found that “the limitation on removal in Title 5 are similar to the limitations on removal in *Intercollegiate*. *Arthrex* at 1334. In turn, the Court found that because APJs “are not removable without cause,” the lack of unfettered removal authority over APJs was evidence that APJs are principal officers. Similarly, the removal authority over ATJs is no different from the removal authority over APJs. Accordingly, this lack of removal authority is evidence that administrative trademark judges are also principal officers under the current statutory scheme.

Appellant notes that on p. 54 of the Intervenor’s Brief Intervenor argues that because the Director has authority to assign an ATJ to a case, the Director could never assign the judge to a case and effectively remove the judge from TTAB service. This makes no more difference for ATJs than for APJs, because as previously observed by this Court, “[t]he Director’s authority to assign certain APJs to *certain panels* is not the same as the authority to remove an APJ *from judicial service* without cause.” *Arthrex* at 1332. The Director’s authority to assign

or not assign certain ATJs to certain cases is not the same authority to remove the ATJ without cause.

2. Review Power

Similar to APJs, if a party is dissatisfied with a TTAB decision the party may either request a rehearing by the Board or they may appeal to this Court. The rehearing would be conducted by a panel of three members of the Board the same for ATJs as for APJs. As a matter of actual practice, TTAB panels have always consisted of three judges. Like APJs, they render a decision which is essentially final as the only options for the party are to request rehearing (which if granted, would be reheard by another three judge panel) or appeal to this Court.

In the Intervenor's Brief the Intervenor argues that the *Arthrex* decision is limited to APJs inasmuch as APJs and ATJs operate under different statutory regimes. Notably, the Intervenor argues that the statute specifies that the Director shall "direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration." 15 U.S.C. § 1067. Thus, in theory the Director could decide that the TTAB panel may consist of a single member, and the Director may appoint himself as the single member. *Intervenor's Brief*, p. 48-49. In a similar argument, the Intervenor also argues that 37 C.F.R. § 2.146 contemplates that parties to *ex parte* appeals and *inter partes* proceedings before the TTAB may directly petition the Director and "invoke [his] supervisory authority in appropriate

circumstances” to review the Board’s orders. *Intervenor’s Brief*, p. 49. In sum, the Intervenor is arguing that because, in theory, the Director could himself personally review a Board’s decision, then the Director has sufficient review power to consider the administrative trademark judges inferior officers.

These arguments are all based on theory and not reality. While the Intervenor has found loopholes in the statutes that could allow the Director to, in theory, review a Board panel’s decision, in reality the Appellant is unaware that this has ever been done and Intervenor provides no evidence that this has happened. TTAB panels have always consisted of three judges and if a rehearing is requested, they have always been heard by panels of three judges. This procedure is no different from the PTAB panels discussed in *Arthrex*. Further evidence of the actual reviewing power of the Director is evidenced by his own regulations which allow a party to only petition the Director to review interlocutory orders that concern interlocutory matters of procedure not substance. Accordingly, “[i]n an inter partes proceeding, a party may obtain review of an order or decision of the Board which concerns matters of procedure (rather than the central issue or issues before the Board), and does not put an end to the litigation before the Board, by timely petition to the Director.” 37 C.F.R. § 2.146(b). If history is any indication, the Director has not reviewed TTAB decisions under any of the theories presented by the Intervenor nor does the Director intend to substantively review any TTAB

decisions as evidenced by the his own regulations which state the only petitions heard will be of procedural matters.

The Director is “responsible for providing policy direction and management supervision” for the USPTO. 35 U.S.C. § 3(a)(2)(A). Practically speaking, the Director is not able to single handedly review decisions issued by the Board or appoint himself as the single member panel to issue decisions rather than a typical three judge ATJ panel who was hired by the Agency for this purpose. Thus, practically speaking, because administrative trademark judges and their decisions are not reviewed or controlled by the Director more than or differently from administrative patent judge decisions, both ATJs and APJs are principal officers.

Finally, other factors that have been used to determine that an officer is an inferior officer are nonexistent in this situation. ATJs do not have limited tenure, limited duties, or limited jurisdiction, all of which are considerations which distinguish principal officers from inferior officers. *Arthrex* at 1334.

In light of the above, ATJs are currently unconstitutionally appointed under the current statutory scheme, as was the panel that issued the present decision.

CONCLUSION

For the foregoing reasons, the Appellant respectfully requests that the Court reverse the Board's decision granting the petition for cancellation of the SCHIEDMAYER mark or vacate the same and remand for consideration by a panel of constitutionally appointed administrative trademark judges.

July 24, 2020

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE WITH RULE 32(a)

1. This corrected brief complies with the type-volume limitations of Fed. R. App. P. 32(a) because this brief contains 6769 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Local Rule 32(b).

2. This brief complies with the typeface and type style requirements of Fed. R. App. P. 32(a)(5) and 32(a)(6) because this updated brief has been prepared in proportionally spaced typeface using Microsoft Word® 2016 in 14-point Times New Roman font.

July 24, 2020

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CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 24th day of July, 2020, as required by Federal Rule of Appellate Procedure 25(c)(2) and the Court's May 17, 2012 Administrative Order Regarding Electronic Case Filing, the foregoing corrected Reply Brief of Appellant was served on all counsel of record via the Court's electronic filing system.

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