

2020-1196

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UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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**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*

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Appeal from the United States Patent and Trademark Office,  
Trademark Trial and Appeal Board, Cancellation No. 92/061,215

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**CORRECTED BRIEF FOR INTERVENOR, DIRECTOR OF THE  
UNITED STATES PATENT AND TRADEMARK OFFICE**

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## STATEMENT OF RELATED CASES

The United States of America is unaware of any other appeal from the Trademark Trial and Appeal Board (“TTAB” or the “Board”) in connection with the United States Trademark Registration (No. 3,340,759) that is the subject of this proceeding, in this Court or any other court. The United States is also unaware of any related cases pending in this or any other court or agency that will directly affect, or be affected by, this Court’s decision in this pending appeal.



## STATEMENT OF THE ISSUES

This case is an appeal from a TTAB decision ordering cancellation of Registration No. 3,340,759 for the mark SCHIEDMAYER for “pianos, namely, upright pianos, grand pianos, and digital pianos,” because, under Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), it “may ... falsely suggest a connection with” Appellee Schiedmayer Celesta GmbH (“Schiedmayer Celesta”), the current commercial embodiment of the Schiedmayer family of Germany, which has been producing keyboard musical instruments since the 1700s. The issues are:

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” Schiedmayer Celesta 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 Sweet 16’s laches defense;
4. Whether the appellants forfeited 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 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.

## STATEMENT OF THE CASE

### I. Statutory Background

The United States Patent and Trademark Office (USPTO) is an executive agency within the Department of Commerce. *See* 35 U.S.C. § 1(a). Congress vested “[t]he powers and duties” of the USPTO in its Director, who is Presidentially appointed and Senate-confirmed. 35 U.S.C. § 3(a)(1). The statute specifically makes the Director “responsible for providing policy direction and management supervision for the Office and for ... the registration of trademarks.” *Id.* § 3(a)(2)(A).

The Trademark Trial and Appeal Board is an administrative tribunal within the USPTO. 15 U.S.C. § 1067. The Board is composed of the Director of the USPTO, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and “administrative trademark judges.” *Id.* § 1067(b). The administrative trademark judges are “appointed by the Secretary of Commerce, in consultation with the Director.” *Id.*

The Board is responsible for reviewing *ex parte* appeals from adverse decisions of trademark examining attorneys regarding applications to register a trademark, 15 U.S.C. § 1070, as well as conducting four types of *inter partes* trial proceedings: interferences, oppositions, concurrent use proceedings, and cancellation proceedings.

*See id.* § 1067; *see also id.* § 1052(d); *id.* §§ 1062, 1063; *id.* §§ 1064, 1092. The Lanham Act does not mandate or otherwise specify how many members of the TTAB must hear each appeal or inter partes proceeding. Instead, the statute vests the authority to determine the composition of each panel in the Director, pursuant to his general authority to create “rules and regulations, not inconsistent with law” governing “the conduct of” any proceedings of the Board. *Id.* § 1123; *see also* 35 U.S.C. § 2(b)(2)(A). Under current regulation and practice, the Board hears and decides cases using panels of at least three members. 37 C.F.R. §§ 2.129(a), 2.142(e)(1); *see also* TTAB Manual of Procedure (“TBMP”) 2019-06 § 803, *available at* <https://tbmp.uspto.gov/RDMS/TBMP/current>.

Those same regulations provide several means for dissatisfied parties to challenge adverse decisions issued by the Board. First, parties may petition the Director to exercise his “supervisory authority ... in appropriate circumstances.” 37 C.F.R. § 2.146. Second, parties may seek reconsideration of both interlocutory and final decisions from the Board itself. *Id.* §§ 2.129(c), 2.144. Although rehearing petitions customarily are heard by the same panel that rendered the initial decision, neither the Lanham Act nor the regulations specify how many members of the Board must agree in order to grant a rehearing or how many members must preside over the rehearing, which members they will be or what level of deference the rehearing panel must give to the original panel. Thus, as a standing member of the Board, the Director could rehear any case himself *de novo*. Third, in the case of *ex parte*

appeals, an applicant for registration that is adversely affected by the decision of the Board may petition the Director to reopen an application for further examination. *Id.* § 2.142(g). Even if the Board has determined that the examining attorney erroneously refused registration, that determination does not require a mark to be registered. Rather, the Director “shall be responsible for ... the registration of trademarks,” 35 U.S.C. § 2, and the Director may direct examining attorneys to grant or deny an application to register a mark at any point during examination, 37 C.F.R. § 2.84.

## **II. Factual and Procedural Background**

Appellant Sweet 16 Musical Properties, Inc., owns the ’759 Registration for the mark SCHIEDMAYER for pianos by assignment from Appellant Piano Factory Group, Inc.<sup>1</sup> (“Sweet 16” or “Appellants”). The ’759 Registration issued on November 20, 2007, and was renewed in November 2017. Appx1, Appx672. Schiedmayer Celesta instituted a cancellation proceeding with the Board, alleging that the SCHIEDMAYER mark falsely suggests a connection with Schiedmayer Celesta under Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a). Appx52-53, ¶¶ 9-16; Appx63-64, ¶¶ 9-16; Appx1127-1129 ¶¶ 9-16. Sweet 16 asserted the affirmative defense of laches. Appx40; Appx1160. The parties took full discovery and submitted

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<sup>1</sup> Appx10 n.9, Appx1152-1153. The file of a registration specified in a cancellation proceeding forms part of the record of the proceeding without any action by the parties. 37 C.F.R. § 2.122.

evidence during the trial portion of the proceeding, and based on that evidence the Board found the following facts.

**A. Schiedmayer Celesta GmbH**

Schiedmayer Celesta is owned and operated by its CEO, Ms. Elianne Schiedmayer. Ms. Schiedmayer is the widow of Georg Schiedmayer, a member of the Schiedmayer family, which has manufactured and sold keyboard musical instruments since 1735, starting with the clavichord and later including other keyboard instruments such as pianos, celestas, and glockenspiels. Appx5-7, Appx241-242, Appx258-264, Appx279-280, Appx296, Appx509, Appx518. In the mid-20th Century, Georg Schiedmayer inherited the Schiedmayer family business Schiedmayer & Soehne, a successor to Schiedmayer & Soehne GmbH, founded in 1809 by Johann Lorenz Schiedmayer (Appx6-7, Appx242, Appx262-264, Appx881), and presided over the production of the Schiedmayer pianos in Stuttgart. *See id.*

In 1980, Mr. Schiedmayer renamed the company Schiedmayer GmbH & Co. KG (Appx5), and, after a short-lived joint project to manufacture pianos with Rud. Ibach GmbH, decided that the company would focus on making celestas, another keyboard instrument resembling a piano. Appx5-6, Appx243, Appx253.

Notwithstanding Mr. Schiedmayer's withdrawal from the SCHIEDMAYER piano project, Rud. Ibach & Sohn later decided to arrange with Kawai Company, a piano manufacturer, to have pianos manufactured for sale by Ibach under the

SCHIEDMAYER trademarks, without authorization from any Schiedmayer person or entity. Appx7, Appx881-882.

Upon Mr. Schiedmayer's death, Ms. Schiedmayer inherited Schiedmayer GmbH & Co. KG, and in 1995, she founded the predecessor to Schiedmayer Celesta, which manufactures and sells celestas. Appx7, Appx243, Appx255. Schiedmayer-branded celestas had been sold in the United States for years prior to Piano Factory's first use of the SCHIEDMAYER mark. Appx8-9, Appx246-247, Appx309-462 (Declaration of Ms. Schiedmayer regarding sales of Schiedmayer celestas in the United States and business records regarding such sales); Appx579-560 (Declaration of Ms. Helga Kasimoff regarding importation and sales of Schiedmayer celestas since 1967); Appx883. Most orchestras in the United States, including the New York Philharmonic Orchestra, Boston Symphony Orchestra, Cleveland Orchestra, Los Angeles Philharmonic, and San Francisco Symphony, have purchased and are using at least one Schiedmayer celesta. Appx8-9, Appx247.

The other instruments previously made by Schiedmayer's predecessor entities are also famous. Its pianos won numerous awards between 1851 and 1910 and were the subject of books about piano history. Appx247, Appx502-509. A Schiedmayer clavichord is on display in the Boston Museum of Fine Arts. Appx9, Appx248.

**B. Sweet 16**

Sweet 16 is a piano dealer and retailer located in Los Angeles, California, and does business under the name Hollywood Piano. Appx10, Appx765. Sweet 16 does

not manufacture pianos. Appx10, Appx73. Mr. Glenn Treibitz owns Sweet 16 and is also its president. Appx10, Appx765. In 2001, Mr. Treibitz came to believe the SCHIEDMAYER mark to be available in the United States for use on pianos based on his belief that Kawai was no longer selling SCHIEDMAYER-branded pianos. Appx10-11, Appx768. The next year, Piano Factory filed the application for the SCHIEDMAYER mark that matured to the registration at issue. Appx10-11, Appx931-938, Appx1.

The pianos that Sweet 16 sells with the SCHIEDMAYER mark on them are what are known in the piano industry as “stencil” or “no-name” pianos. Appx11. Such pianos are “generic, lower-quality pianos,” designed to be labeled with a name different from that of the manufacturer, usually one which “sounds close to that of a more famous and recognizable brand.” Appx12, Appx828, Appx831 (Treibitz testimony that selling a cheaper Chinese piano under a German sounding name is a “classic” example of a “stencil” piano), Appx835, Appx861. All of the pianos sold under the SCHIEDMAYER mark were manufactured in Asia, with a SCHIEDMAYER label placed on them. Appx829. However, Sweet 16’s advertisements describe its SCHIEDMAYER pianos as having “German strings.” Appx770; Appx871; Appx1209-1211 (Exhibit 12 to Treibitz Decl.). Although Mr. Treibitz testified that he has “been involved in the sale and rental of over 50,000 pianos” (Appx10, Appx765), Sweet 16 claimed sales of only “approximately 29”

pianos bearing the SCHIEDMAYER mark from 2007 to 2018. Appx12, Appx28, Appx769.

Mr. Treibitz acquired the <schiedmayer.com> Internet domain name in 2002, which has always redirected web traffic to Sweet 16's Hollywood Piano website. Appx14, Appx510, Appx571-572, Appx768, Appx770. On this website, Sweet 16 advertises its SCHIEDMAYER pianos. Appx14, Appx691-695.

### **C. The Board's Decision**

1. Before addressing the merits of Schiedmayer Celesta's Section 2(a) claim, the Board found that Schiedmayer Celesta satisfied the standing requirement of Section 14 of the Lanham Act, 15 U.S.C. § 1064, which permits the filing of a petition for cancellation of a registration by "any person who believes that he is or will be damaged ... by the registration of a mark." The Board explained the petitioner had a "personal stake" in this proceeding because it is "named after" and "owned by a member of" "the Schiedmayer family known for keyboard musical instruments," and it "uses SCHIEDMAYER as a trademark for keyboard musical instruments in the United States." Appx15.

2. Next, the Board addressed Schiedmayer Celesta's claim that Sweet 16's registration of the SCHIEDMAYER mark created a false association with Schiedmayer Celesta and the Schiedmayer musical instrument family. As the Board explained, to prevail on a false association claim, Schiedmayer Celesta must prove four elements: (1) the registered mark is the same as, or a close approximation of, the



plaintiff's previously used name or identity; (2) the mark would be recognized as such, in that it points uniquely and unmistakably to plaintiff; (3) plaintiff is not connected with the activities performed by the challenged party under the mark; 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. Appx16 (citing, *inter alia*, *Univ. of Notre Dame Du Lac v. J.C. Gourmet Food Imps. Co.*, 703 F.2d 1372 (Fed. Cir. 1983)). The Board found that each of these elements were met here.

First, the Board found that the mark, SCHIEDMAYER, is the same as, or a close approximation of, Schiedmayer Celesta's current and previously used names. Because "celesta" merely identifies a keyboard instrument, and "GmbH" is a German entity designator, Schiedmayer is Schiedmayer Celesta's name or identity. Appx17-18. Sweet 16 does not contest this finding.

Second, the Board found that in the context of pianos, the SCHIEDMAYER mark had only one meaning: It points uniquely and unmistakably to the Schiedmayer family and its family businesses, including Schiedmayer Celesta. Appx19-22. In reaching this conclusion, the Board rejected Sweet 16's contention that the SCHIEDMAYER mark was not uniquely associated with Schiedmayer Celesta because it was used for a brief period on pianos manufactured by Ibach and Kawai during, and after the expiration of, any period of temporary authorization from the Schiedmayer family-affiliated businesses. The Board explained that there was "no

evidence” that this third-party use “continues or that it had any effect on the public perception of the SCHIEDMAYER name as referring to” Schiedmayer Celesta, and thus, this limited use did not detract from the Board’s finding that the term pointed uniquely to the Schiedmayer family business(es). Appx20-21.

Third, Sweet 16 conceded that it is not connected with Schiedmayer Celesta or its SCHIEDMAYER keyboard instrument business. Appx22; *see also* Br.23.

Fourth, the Board found that the record reflects that the Schiedmayer identity is of sufficient fame or reputation that when Sweet 16 uses the SCHIEDMAYER mark in connection with their pianos, consumers will presume a connection with Schiedmayer Celesta. Appx22-23. In particular, the record established that Schiedmayer-branded keyboard instruments have been offered for centuries, won many awards, and that prominent United States orchestras use its celestas. Appx23. In light of this, the Board inferred not only that the consuming public would associate Sweet 16’s use of the SCHIEDMAYER mark with Schiedmayer Celesta, but also that Sweet 16 intended this false association to be made. *Id.*

3. Having found that the registered mark may falsely suggests a connection with Schiedmayer Celesta, the Board next turned to Sweet 16’s affirmative defense of laches. Appx24. The Board noted that a successful laches defense requires proof of two elements: (1) unreasonable delay in assertion of one’s rights against another; and (2) material prejudice to the latter attributable to the delay. Appx25 (quoting *Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc.*, 971 F.2d 732, 734 (Fed. Cir. 1992)). The

Board found that Sweet 16 had proved the first element (unreasonable delay) but not the second (prejudice). *See* Appx27-31.

In rejecting Sweet 16's claim of prejudice, the Board explained that during the relevant period, Sweet 16 had sold, at most, 17 pianos that had been stenciled with a SCHIEDMAYER label. Appx28, Appx30. Due to Sweet 16's practice of buying unbranded pianos and simply affixing to them a SCHIEDMAYER label, the Board concluded that it would be quick, easy, and inexpensive for Sweet 16 to simply relabel the pianos it had in stock with another name. Appx30. Further, the Board found that Sweet 16 failed to provide evidence of promotional expenditures for its SCHIEDMAYER-labeled pianos, other than on advertisements listing it as one among several other brands of pianos. Appx29-30. The Board determined that this showing fell well short of the kind of prejudice needed to prevail. Appx29-31.

Accordingly, the Board granted Schiedmayer Celesta's petition to cancel the registration under section 2(a)'s false association provision. Appx31.

### **SUMMARY OF ARGUMENT**

The Board's decision that, at the time of registration, Sweet 16's use of the mark SCHIEDMAYER on pianos falsely suggested a connection with Schiedmayer Celesta is supported by substantial evidence and legally correct. At the threshold, the Board correctly decided that Schiedmayer Celesta, the current commercial embodiment of the Schiedmayer family business, has standing under 15 U.S.C. § 1064. The Board also correctly decided that in the keyboard instrument sphere

(including pianos), the Schiedmayer name points only to the family with whom Schiedmayer Celesta is affiliated. The Board did not err by considering sources published and testimony adduced after the mark was registered, because the Board focused its determination on the state of facts in existence in 2007, the date of the registration.

That a predecessor of Schiedmayer Celesta's once licensed a third-party to use the name on pianos for a brief period of time does not mean that the name points to parties other than the Schiedmayer keyboard instrument family business. The very fact of the license itself actually evidences what the Board held: that even on pianos, the mark points uniquely to Schiedmayer Celesta and the Schiedmayer family. Further, Section 2(a)'s false association provision does not require that a plaintiff prove it currently uses the mark or name on the precise goods on which the defendant uses the mark. But a relationship between the parties' goods supports such a claim, and here, such a relationship exists.

The Board also properly rejected Sweet 16's laches defense because the only prejudice Sweet 16 asserted was that it had previously sold about 17 pianos during the period between its registration and the filing of this proceeding. Those past sales could not be impacted by the cancellation of a registration. Sweet 16's new argument to this Court about possible future prejudice through the mechanism of legal preclusion doctrines in any future infringement suit is waived because Sweet 16 did not raise this with the Board. Even if it were not waived, it is unsupported, not only

because it is based on speculation about unknown future events and circumstances, but also because Sweet 16 itself could have avoided this possibility by opting to seek review of the Board's decision in district court under 15 U.S.C. § 1071(b). Had it done so, it could have obtained review of the laches decision, and put Schiedmayer Celesta to the decision of asserting infringement or itself losing any such claim.

Further, this Court should reject Sweet 16's Appointments Clause challenge. As an initial matter, Sweet 16 forfeited this challenge by failing to raise it at any point in Board proceedings. Sweet 16's challenge is in any event meritless. Administrative trademark judges are subject to substantial direction and control by the Director of the USPTO and the Secretary of Commerce, both of whom are Senate-confirmed officers. Under *Edmond v. United States*, 520 U.S. 651 (1997), and its progeny, administrative trademark judges are therefore inferior officers, not principal ones, and the Appointments Clause permits Congress to vest their appointment in the Secretary of Commerce. See U.S. const. art. II, § 2, cl. 2 ("[T]he Congress may by law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments"). This Court's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) is inapposite, because the Director has important tools for controlling administrative trademark judges that he does not have with respect to administrative patent judges.

## STANDARD OF REVIEW

This Court reviews the Board's conclusions of law *de novo* and its findings of fact for substantial evidence. *See, e.g., In re Cordua Rests., Inc.*, 823 F.3d 594, 599 (Fed. Cir. 2016). The false association claim at issue here presents a factual question about the public's perception of a mark or name in the market place, which generally is the type of issue considered to be a question of fact. *See Hana Fin., Inc. v. Hana Bank*, 574 U.S. 418, 422 (2015) ("a test that relies upon an ordinary consumer's understanding of the impression that a mark conveys falls comfortably within the ken of a jury"). Thus, the Board's findings in this regard must be upheld so long as the record reflects "such relevant evidence as a reasonable mind would accept as adequate" to support a conclusion." *In re 1800Mattress.com IP, LLC*, 586 F.3d 1359, 1361 (Fed. Cir. 2009).

The Board's evidentiary rulings and its conclusions regarding Sweet 16's affirmative laches deference are reviewed for an abuse of discretion. *Bridgestone/Firestone Research, Inc. v. Auto. Club de l'Ouest de la France*, 245 F.3d 1359, 1361 (Fed. Cir. 2001) (laches); *Omaha Steaks Int'l, Inc. v. Greater Omaha Packing Co.*, 908 F.3d 1315, 1322 (Fed. Cir. 2018) (evidentiary rulings).

Finally, this Court reviews constitutional challenges to Acts of Congress *de novo*. *See Demko v. United States*, 216 F.3d 1049, 1052 (Fed. Cir. 2000).

## ARGUMENT

### **I. The Board appropriately concluded that it had jurisdiction over this cancellation proceeding.**

As an initial matter, there is no basis for Sweet 16's assertion that the Board did not "possess[] personal jurisdiction" to decide this case. Br.20. Sweet 16 does not argue—nor could it—that Schiedmayer Celesta did not have standing to initiate this cancellation proceeding. "[A] petition to cancel a registration of a mark" may be filed by "any person who believes that he is or will be damaged ... by the registration of a mark on the principal register." 15 U.S.C. § 1064. As this Court has explained, this broad statutory provision permits a petition from any person with an interest "beyond that of the general public" that thus is not a "mere intermeddler." *See, e.g., Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999).

Schiedmayer Celesta readily meets this test. As the Board appropriately found, "Petitioner is named after the Schiedmayer family known for keyboard musical instruments, is owned by a member of that family and uses SCHIEDMAYER as a trademark for keyboard musical instruments in the United States." Appx15. The petitioner thus had a "real interest in the proceedings as well as a reasonable basis for its belief of damage." *Empresa Cubana Del Tabaco v. Gen. Cigar Co.*, 753 F.3d 1270, 1274-75 (Fed. Cir. 2014) (internal quotation marks omitted).

Sweet 16 does not dispute the Board's finding in this regard. Br.19-20. Instead, Sweet 16 argues that the Board could not have decided that the

SCHIEDMAYER mark was uniquely associated with Schiedmayer Celesta unless every person with an interest in the Schiedmayer family name was joined as a participant in the proceeding. Br.20. This argument, which is presented for the first time in this appeal, is waived and the Court should not address it. *See, e.g., In re Alonso*, 545 F.3d 1015, 1022 (Fed. Cir. 2008); *In re Watts*, 354 F.3d 1362, 1367-68 (Fed. Cir. 2004).

Even were the Court to consider this argument, however, it is meritless. As this Court has held, a plaintiff asserting a section 2(a) false association claim or a claim under section 2(d) for likelihood of confusion *need not have an ownership interest in the mark or name in question* so long as they have a reasonable belief that they will be, or are being, damaged by its registration as someone else's trademark. *See Jewelers Vigilance Comm., Inc. v. Ullenberg Corp.*, 823 F.2d 490, 493-94 (Fed. Cir. 1987) (association of independent retailers of DeBeers-brand diamonds allowed to challenge registration of a mark containing the term DeBeers by a company other than DeBeers for diamonds); *see also Int'l Nutrition Co. v. Horphag Research, Ltd.*, 220 F.3d 1325, 1330 (Fed. Cir. 2000) ("cancellation of a trademark registration can be sought and obtained under section 14 of the Lanham Act even by a party with no proprietary rights in the trademark in issue") (citation omitted); *Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122, 1124 (CCPA 1972) (parent corporation has standing to pursue section 2(a) and 2(d) claims even where it did not operate or control use of the mark at issue; only its subsidiary did).



Indeed, Sweet 16's argument that the Board's decision potentially harms the legal rights of other people with the Schiedmayer name reflects a misunderstanding of the cancellation proceeding. This cancellation did not decide a dispute among the members of the Schiedmayer family regarding who owns the legal right to the Schiedmayer family name as concerns keyboard instruments. Thus, there is no need for those parties to have been joined to this proceeding. This administrative proceeding concerned and decided nothing more than that Sweet 16's registration of the SCHIEDMAYER mark should be canceled because of a false association with the Schiedmayer family who is known for making keyboard musical instruments. Sweet 16 does not claim to be a member of the Schiedmayer family nor assert an interest in the family name, so it is unclear what would be missing from the Board's ability to resolve this cancellation proceeding in the absence of other unknown Schiedmayer family members who, like Schiedmayer Celesta, would necessarily be aligned *against* Sweet 16.

There is no "jurisdictional fundamental legal error" as argued by Sweet 16.

## **II. The SCHIEDMAYER Mark Falsely Suggests a Connection with Schiedmayer Celesta and the Schiedmayer Musical Instrument Family.**

Section 2(a) of the Lanham Act provides that a mark which "[c]onsists of or comprises ... matter which may ... falsely suggest a connection with persons, living or dead, [or] institutions" shall be refused registration. 15 U.S.C. § 1052(a). The seminal decision examining the standard to be applied under Section 2(a)'s false association

provision is *University of Notre Dame v. J.C. Gourmet Food Imports Co.*, 703 F.2d 1372 (Fed. Cir. 1983). From this precedent, the Board has derived four elements of a false association claim: (1) the mark is the same as, or a close approximation of, the plaintiff's previously used name or identity; (2) the mark would be recognized as such, in that it points uniquely and unmistakably to plaintiff; (3) plaintiff is not connected with the activities performed by the challenged party under the mark; 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. Appx15; *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)).<sup>2</sup>

Substantial evidence supports the Board's conclusion that each of these elements were met here. As the Board explained, the petitioner here is "Schiedmayer Celesta GmbH," this company is owned by the current Schiedmayer family member involved in the keyboard business, and thus, "Schiedmayer" is petitioner's name and identity. Appx15-18. In addition, "in the context of pianos, celestas and other keyboard musical instruments, SCHIEDMAYER has only one meaning—it points

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<sup>2</sup> Available at <https://tmep.uspto.gov/RDMS/TMEP/current>.

uniquely, and unmistakably, to the family's businesses which have long offered keyboard musical instruments." Appx19.

As relevant here, the record established that Schiedmayer Celesta was the Schiedmayer family business that currently offers Schiedmayer keyboard musical instruments in the United States. Further, the "Schiedmayer keyboard musical instruments have won many awards, [and] are used by prominent United States orchestras," and thus, "SCHIEDMAYER is sufficiently famous in the United States that Respondents' use of it would lead to a presumption that the parties are somehow connected." Appx20. Indeed, Schiedmayer Celesta currently makes celestas branded with the Schiedmayer name, and as the Board explained, celestas and pianos are both keyboard instruments and are often sold in the same stores, which further supports an inference that consumers would presume the parties were connected. Taken together, this permitted the Board to "draw an inference that" Sweet 16 intended both "to create a connection with" Schiedmayer Celesta, and "that the public would make that false association." Appx23.

Sweet 16 does not challenge the legal test or the Board's findings as to the first and third elements (that SCHIEDMAYER is the same as Schiedmayer Celesta's name or identity (Appx15-18); and that there is no connection between Sweet 16 and Schiedmayer (Appx21)). It attacks only the Board's findings on the second and fourth elements: [2] that SCHIEDMAYER points uniquely and unmistakably to the Schiedmayer family and Schiedmayer Celesta when used for keyboard musical

instruments; and [4] that the term Schiedmayer has sufficient fame that consumers of pianos would, when presented with that term in the context of pianos, presume a connection with Schiedmayer Celesta (the current entity that conducts business under the Schiedmayer name). Appx18-21.

As the Board's decision makes clear, however, the Board carefully considered the evidence presented to it and rendered its determination based on the record as a whole. The Board's decision does not contain any legal errors, and there is no support for Sweet 16's assertions that the Board abused its discretion in relying on certain forms of evidence. Although Sweet 16 believes that the Board drew the wrong inferences from this record, such an argument provides no basis to set aside the Board's decision. *See, e.g., State of Ark. v. State of Okla.*, 503 U.S. 91, 113 (1992) (under substantial evidence review, the reviewing court "should not supplant the agency's findings merely by identifying alternative findings that could be supported by substantial evidence.") (citation omitted); *Stratus Networks, Inc. v. UBTA-UBET Commc'ns, Inc.*, 955 F.3d 994, 998 (Fed. Cir. 2020) (reviewing court does not re-weigh the evidence on substantial evidence review, and the fact that it might support the opposite finding is immaterial).

**A. Substantial evidence supports the Board's finding that the Schiedmayer name points uniquely to Schiedmayer Celesta.**

1. Sweet 16's primary argument in this appeal is that the Schiedmayer name as used for pianos could not point uniquely to Schiedmayer Celesta because "others had

used the SCHIEDMAYER mark to brand pianos.” Br.24. In particular, Sweet 16 contends that a predecessor Schiedmayer entity transferred all rights in the SCHIEDMAYER mark in connection with pianos to another company, Rud. Ibach & Sohn (hereinafter “Ibach”). *See id.* Sweet 16 also notes that Ibach and Kawai also collaborated for a short period of time to produce Schiedmayer pianos, and that, in the past, there have been other Schiedmayer family businesses that made pianos. Together, Sweet 16 asserts, this is sufficient to show that the public would not uniquely associate the Schiedmayer name with Schiedmayer Celesta.

As an initial matter, the Board reasonably found that Schiedmayer Celesta is the current embodiment of the Schiedmayer musical family, and also that there was no evidence in this proceeding that any of Schiedmayer Celesta’s predecessors had assigned or else permanently transferred the SCHIEDMAYER mark to a third party. Appx6. Instead, as the Board found, the record reflected only that sometime in the 20th Century Schiedmayer Celesta’s predecessor entity formed a joint venture or entered into some other form of cooperative relationship with Ibach to sell SCHIEDMAYER-branded pianos for a limited time. Appx5-6. After the joint venture/cooperative relationship with Ibach ended, a third-party piano manufacturer (Kawai) who had produced pianos for Ibach—and who itself never had authorization to sell pianos to the public under the SCHIEDMAYER mark—apparently decided to make and sell SCHIEDMAYER-branded pianos on its own for a brief period of time, without authorization from Schiedmayer Celesta’s predecessor. Appx6.

The Board reasonably rejected Sweet 16's argument that this limited third-party use of SCHIEDMAYER on pianos many decades ago means that SCHIEDMAYER does not point uniquely to the Schiedmayer musical instrument family. As the Board pointed out, there was "no evidence" that any third-party use "continues or that it had any effect on the public perception of the SCHIEDMAYER name as referring to" Schiedmayer Celesta. Appx1. Instead, 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. This supports, rather than detracts from, a finding that consumers continued to associate the mark uniquely with Schiedmayer Celesta. *See generally* 3 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:52 (5th ed.) ("MCCARTHY") ("A licensee's use inures to the benefit of the licensor-owner of the mark and the licensee acquires no ownership rights in the mark itself."); *In re Pedersen*, 109 USPQ2d 1185, 1195-96 (TTAB 2013) (where the third-party uses referred to the plaintiff, such uses did not undermine a finding that the name/identity in question pointed uniquely to the plaintiff).<sup>3</sup>

This stands in stark contrast to this Court's seminal decision in *University of Notre Dame*, in which this Court found that the name "Notre Dame" did not uniquely point to the University of Notre Dame, because it is also the name of a well-known

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<sup>3</sup> The same goes for Sweet 16's argument concerning prior use by a now defunct predecessor company of Schiedmayer Celesta, run by a now-deceased member of the Schiedmayer family.

religious figure and of a famous French church, and thus, the public would not uniquely associate the name with the university. 703 F.2d at 1377. Here, by contrast, the Schiedmayer name has only ever been associated with the Schiedmayer family of musical instruments and those who have done business with it. And the fact that a formerly authorized user persisted in using the mark even after the authorization was withdrawn would have no effect on the public's perception of the mark as being uniquely associated with the Schiedmayer family. Indeed, holdover licensees are considered infringers precisely because they imply, wrongly, that they are affiliated with the entity that gave them permission. *See, e.g., Church of Scientology Int'l v. Elmira Mission of the Church of Scientology*, 794 F.2d 38, 44 (2d Cir. 1986) (when an authorized user “loses its authorization yet continues to use the mark, the potential for consumer confusion is greater than in the case of a random infringer. Consumers have already associated some significant source identification with the licensor.”); *Burger King Corp. v. Mason*, 710 F.2d 1480, 1492-93 (11th Cir. 1983).

2. There is also no support for Sweet 16's argument that the Board's decision is fatally undermined by the fact that the examining attorney who examined the application many years ago found that the mark did not suggest a false association with the Schiedmayer family name. Br.25-26. Sweet 16 places significance on the fact that its application for the SCHIEDMAYER mark was initially refused on false association grounds with *Ibach*—not the Schiedmayer family—because the trademark examining attorney saw that Ibach's website claimed ownership of the mark. Sweet

16 notes that the application was later allowed after it argued that Ibach had abandoned the mark.

As an initial matter, 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”).

Here, as noted, the Board reached its conclusion that the Schiedmayer mark points uniquely to Schiedmayer Celesta after considering the evidence as a whole, under a far more robust evidentiary record than that before the examining attorney many years ago. Indeed, 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. At the time, Piano Factory told the examining attorney that “there is no one currently extant who is entitled to assert a property right or a right of publicity for the mark SCHIEDMAYER on pianos.” Appx913. But on a fuller evidentiary record that included testimony from Schiedmayer Celesta’s president and a German attorney who researched whether any predecessor Schiedmayer entity ever transferred rights in the SCHIEDMAYER name and mark to Ibach in connection with pianos, the Board reached a different conclusion. It found that Schiedmayer



Celesta did not transfer the rights to the Schiedmayer name in connection with pianos and other keyboard instruments to Ibach, and that the rights to use that name instead belong to Schiedmayer Celesta. Appx15-16.

**B. Substantial evidence supports the Board's finding that the fame of the Schiedmayer name is such that consumers who saw Sweet 16's Schiedmayer-stenciled pianos would presume a false connection with Schiedmayer Celesta.**

Sweet 16 also disputes the Board's finding that the Schiedmayer name was sufficiently famous at the time the SCHIEDMAYER mark was registered such that when used in connection with Sweet 16's goods, keyboard musical instruments, a connection with Schiedmayer Celesta would be presumed. As noted above, substantial evidence supports the Board's finding on this score. The "Schiedmayer name and family have been associated with keyboard musical instruments for centuries" and have "won many awards, are used by prominent United States orchestras," and are on display in museums. Appx21-22. "This establishes that SCHIEDMAYER is sufficiently famous in the United States that Respondents' use of it would lead to a presumption that the parties are somehow connected." *Id.*

Sweet 16 asserts two arguments against the Board's finding here. First, it suggests that the Board was precluded from finding that the public would associate the Schiedmayer mark on pianos with Schiedmayer Celesta because that company makes celestas, not pianos. Second, Sweet 16 argues that the Board must determine that the Schiedmayer name was famous at the time of registration of the

SCHIEDMAYER mark in 2007, and that the Board therefore erred by considering Internet evidence that post-dated the mark's registration. Both arguments are meritless.

First, it is established 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.” *Pedersen*, 109 USPQ2d at 1202. As this Court noted in *University of Notre Dame*, the analysis of whether a defendant's mark may cause a false connection Section 2(a) is designed “to embrace concepts of the right to privacy,” which has elements “distinctly different from those of trademark or trade name infringement.” 703 F.2d at 1376. The Court cited, *inter alia*, *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983), in which late night television entertainer Johnny Carson was held to have a valid claim for invasion of his right to privacy and publicity against a portable toilet seller who was using HERE'S JOHNNY (a tag line uniquely associated with Mr. Carson's TV show) as its trademark, even though the entertainment services offered under Mr. Carson's name and identity had no relation at all to the defendant's portable toilet products. *Id.* at 836.

Thus, contrary to Sweet 16's claim, it is irrelevant whether Schiedmayer Celesta has ever sold pianos so long as there is evidence that the public would associate a Schiedmayer-branded piano with the company. Further, as the Board found, there is evidence of a close relationship between pianos and celestas, which is strong evidence that consumers will make a connection between the defendant's use and the plaintiff's

identity. *See, e.g., Hornby v. TJX Cos.*, 87 USPQ2d 1411, 1427 n.19 (TTAB 2008). As the Board explained, “celestas have much in common with pianos,” including that the instrument not only visibly resembles a piano, but “is played as a piano would be played.” Appx5.<sup>4</sup> And piano stores have also offered SCHIEDMAYER celestas for sale and rental alongside pianos and other keyboard musical instruments. Appx8; *see also* Appx763; Br.10-11 (conceding that Kassman sells pianos and celestas “at the same time,” including, at one time, SCHIEDMAYER branded pianos and celestas). This further supports the Board’s finding that consumers will believe there is a connection between Sweet 16’s SCHIEDMAYER mark and Schiedmayer Celesta, just as in Section 2(d) where the goods are found to be related. *Cf. In re Detroit Athletic Co.*, 903 F.3d 1297, 1306 (Fed. Cir. 2018); *Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261, 1267 (Fed. Cir. 2002). Taken together, this is substantial evidence sufficient to support the Board’s finding that Schiedmayer Celesta’s use of SCHIEDMAYER for celestas, a keyboard musical instrument, resulted in sufficient fame that, when used with pianos, another keyboard musical instrument, consumers would recognize the mark and assume a connection with Schiedmayer Celesta. Appx21-22.<sup>5</sup>

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<sup>4</sup> The primary difference is that, inside the instrument, the sound generated by a celesta when the musician hits the keys comes not from striking strings, but plates. Appx5.

<sup>5</sup> The Board was also correct to infer from the evidence of the fame of the Schiedmayer name that Sweet 16 intended that the public make this association, even though the inference of intentional conduct did not seem to drive the Board’s ultimate finding that the public would make the connection. Appx22. Indeed, the

2. There also is no support for Sweet 16's argument that the Board abused its discretion when it considered internet evidence as proof of the Schiedmayer name's fame and reputation at the time of registration.

As Sweet 16 correctly notes, 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; *Bd. of Trustees of the Univ. of Ala. v. BAMA-Werke Curt Baumann*, 231 USPQ 408, 410-11 (TTAB 1986); *see generally In re Chippendales USA, Inc.*, 622 F.3d 1346, 1354 (Fed. Cir. 2010) ("the right to register must be determined on the basis of the factual situation as of the time when registration is being sought"). But Sweet 16 is simply wrong to suggest that the Board legally erred by referring to facts disclosed in contemporary publications as evidence of Schiedmayer Celesta's fame in 2007. Obviously, any sort of publication, whether a book, an article, or an Internet web page, can reflect only facts that have already occurred. To be sure, the Board, depending on circumstances, might elect to give more weight to a credible, contemporary source than to a secondary source published at a later date, but there is no support for Sweet 16's argument that the Board should not have admitted any evidence that post-dated the SCHIEDMAYER mark's registration.

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fame of the Schiedmayer name fits within Sweet 16's "stencil piano" sales technique, which is how Sweet 16 admittedly sells the inexpensive pianos on which it places the SCHIEDMAYER labels it obtains from trophy shops or decal makers. Appx11. Stencil piano sales depend on the renown among the piano-buying public of an older German or American sounding name associated with pianos. Appx11-12.

At bottom, Sweet 16's complaint is simply that the Board should have given less or no weight to the evidence it relied upon. But the weighing of the evidence is reserved for the tribunal that tries the case (here, the Board), and substantial evidence review under the Administrative Procedure Act does not contemplate such reweighing on appeal unless it was unreasonable to have found as the Board did. *See, e.g., Stratus Networks*, 955 F.3d at 998; *Real Foods Pty Ltd. v. Frito-Lay N. Am., Inc.*, 906 F.3d 965, 979-80 (Fed. Cir. 2018). And here, as noted, the record overwhelmingly established the fame of the Schiedmayer family name and mark in connection with keyboard instruments beginning with the first Schiedmayer instrument built in the 1700s (Appx5, Appx8) and continuing ever since. The Board's decision is supported by substantial evidence, and this Court should affirm.

### **III. The Board Properly Found that Sweet 16 Did Not Prove Laches.**

The Board also appropriately concluded that Sweet 16 had failed to prove its laches defense. To establish an affirmative defense of laches, a defendant must show: (1) unreasonable delay in the plaintiff's assertion of rights, and (2) material prejudice attributable to the delay. *Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc.*, 971 F.2d 732, 734 (Fed. Cir. 1992). Here, the Board found that Sweet 16 had established unreasonable delay, but did not establish prejudice.

As the Board explained, Sweet 16 had the burden to prove laches, but failed to “show any meaningful economic or other damage resulting from Petitioner's delay *in seeking to cancel the Registration* ....” Appx31 (emphasis added; citation omitted). In so

holding, the Board rejected Sweet 16's argument that it had been prejudiced because, during the delay period, it "sold and rented SCHIEDMAYER branded pianos continuously." Appx1290. To the contrary, the record established that, at most, Sweet 16 sold 17 such pianos during the relevant period, or about two such pianos per year. Appx28. Further, because Sweet 16's Schiedmayer pianos were simply unbranded pianos that Sweet 16 purchased and later affixed a SCHIEDMAYER label obtained from a trophy or decal maker, the Board found that it would be quick, easy, and inexpensive for Sweet 16 to simply relabel the no-name pianos it had in stock with another name. Appx30.

The Board also rejected Sweet 16's argument that the company had significant promotional expenditures for SCHIEDMAYER-labeled pianos. As the Board found, the only evidence in the proceeding regarding such expenditures were advertisements that listed SCHIEDMAYER-labeled pianos as one of many brands of pianos available for sale or rent. Appx29-30. The Board found that this limited evidence fell far short of the kind of prejudice needed for Sweet 16 to prevail on its laches claim.

On appeal, Sweet 16 advances an entirely new claim of prejudice: a claim that the Board's findings in this proceeding will have a preclusive effect in any future infringement litigation Schiedmayer Celesta might bring. *See* Br.15-18. Because Sweet 16 did not present this claim to the Board in the first instance, it is waived and should not be addressed by this Court. *See, e.g., Watts*, 354 F.3d at 1367-68. Sweet 16's claim is, in any event, meritless.

At the threshold, there is no support for Sweet 16's argument that its loss in these proceedings will result in an automatic win for Schiedmayer Celesta in a subsequent infringement action. Issue preclusion requires, among other things, 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. Cir. 2012). Here, however, the standard that the Board applied to find the false association necessary to cancel Sweet 16's registration of the SCHIEDMAYER mark is *not* the same standard that a court would apply in a subsequent infringement proceeding. *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1306 (2015) ("Issues are not identical if the second action involves application of a different legal standard, even though the factual setting of both suits may be the same.") (quoting 18 C. Wright, A. Miller, & E. Cooper, FEDERAL PRACTICE & PROCEDURE § 4417, p. 449 (2d ed. 2002)) (brackets omitted).

As noted above, a false association claim requires, *inter alia*, proof that a 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. *See, e.g.,* TMEP § 1203.03(c)(i) (Oct. 2018); *Buffett v. Chi-Chi's, Inc.*, 226 USPQ 428, 429-30 (TTAB 1985)). By contrast, a trademark infringement claim requires several elements not present here, such as proof of prior rights in this country. *See, e.g., PlayNation Play Sys., Inc. v. Velez Corp.*, 924 F.3d 1159, 1165 (11th Cir. 2019); *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1193

(11th Cir. 2001). In addition, an infringement claim requires a showing that consumer confusion as to source is likely, which requires balancing a multitude of factors that are similar to, but distinct from, the factors considered in a false association claim. *See, e.g.,* MCCARTHY § 23:19 (listing factors and noting all courts use them).<sup>6</sup>

In addition, the factual circumstances at issue in any future infringement case may well be substantially different. As time passes, Schiedmayer Celesta and Sweet 16 will take, or refrain from taking, a whole host of business activities that could alter their respective rights or liabilities under trademark law. “[T]rademark rights are not static,” but can change over time based on marketplace activities, *see Sovereign Military Hospitaller Order of St. John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem*, 809 F.3d 1171, 1184 (11th Cir. 2015) (quoting *Safer, Inc. v. OMS Invs., Inc.*, 94 USPQ2d 1031, 1036 (TTAB 2010)). Depending on future events, the issues implicated by any such future infringement suit may not be identical, rendering the case inappropriate for application of issue preclusion. *See B & B Hardware*, 135 S. Ct. at 1306. Thus, any assertion of current

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<sup>6</sup> Before the Board, Sweet 16 acknowledged this difference between a claim of a false connection under Section 2(a) and a likelihood of confusion claim, noting further that Schiedmayer Celesta did not litigate its Section 2(a) claim as if it were a likelihood of confusion claim under Section 2(d). Appx1284.



prejudice based on unknown future circumstances of a claim that may not be filed at all is entirely speculative.<sup>7</sup>

It is likewise speculative for Sweet 16 to argue that it is prejudiced by the possibility that it will be precluded from asserting laches as a potential defense in a future infringement suit. First, the availability of a laches defense in any hypothetical suit would depend on whether and when Schiedmayer Celesta decided to bring that suit and how any delay prejudiced Sweet 16 in the interim. *See, e.g., A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1033 (Fed. Cir. 1992) (*in banc*) (“The courts must look for a change in the economic position of the alleged infringer during the period of delay.”); *cf. Georgia-Pacific Corp. v. Great Plains Bag Co.*, 614 F.2d 757, 763 (CCPA 1980) (laches found where the defendant had successfully grown sales of the goods under the logo in question from \$372,000 to about \$28,000,000 during a 12-year delay period). Here, there is no evidence that Schiedmayer Celesta will bring an infringement suit, and if so, when it will do so and what the circumstances will be. There is likewise no evidence regarding what remedies Schiedmayer Celesta may seek or how Sweet 16 might be harmed by any delay on Schiedmayer Celesta’s part in bringing an infringement suit.

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<sup>7</sup> In addition, the preclusive effect of the Board’s Section 2(a) ruling in a future infringement case would only be significant if Sweet 16 loses on any laches defense in district court, which, as discussed next, is also speculative fear.

Finally, even if the Court were to overlook the legal infirmities and speculative nature of Sweet 16's new laches argument, it is clear that any possible legal preclusion in a hypothetical future infringement case does not result from the Board's decision, but from Sweet 16's choice to seek review in this Court under Section 1071(a) rather than in a district court under Section 1071(b). *See, e.g., Waddell v. Small Tube Prods., Inc.*, 799 F.2d 69, 76 (3d Cir. 1986) (causation is pertinent because any prejudice must be the result of the delay). Had Sweet 16 filed a district court action, it could have both challenged the Board's laches ruling *and* put Schiedmayer Celesta to the choice of asserting an infringement counterclaim now or itself risk losing the ability to later raise a claim for past infringement. *See, e.g., Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1324 (Fed. Cir. 2008) (res judicata is potentially applicable if a defendant in the first action failed to raise a compulsory counterclaim). Sweet 16's choice of review thus broke any possible causal link between alleged future prejudice from preclusion and the Board's ruling.

#### **IV. Sweet 16 Forfeited its Appointments Clause Challenge.**

As an initial matter, the Court should decline to address Sweet 16's challenge to the Board's statutory authority because, as Sweet 16 concedes (Br.18), it did not raise this issue before the Board in the first instance. Contrary to Sweet 16's suggestion, this Court's decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), does not suggest that the forfeiture here should be excused.

The Supreme Court has recognized that Appointments Clause challenges, no less than other arguments, must be timely raised to the relevant agency, and are subject to forfeiture if not properly preserved. *Ryder v. United States*, 515 U.S. 177, 182-83 (1995) (finding petitioner entitled to relief on Appointments Clause claim because he, unlike other litigants, had “raised his objection to the judges’ titles before those very judges and prior to their action on his case”). As with other “nonjurisdictional claims that ha[ve] not been raised below,” courts retain their discretion to determine whether to excuse forfeiture and entertain a belated Appointments Clause challenge, but only “rare cases” warrant such an exercise of discretion. *Freytag v. Commissioner*, 501 U.S. 868, 878-79 (1991).

As this Court has recognized, there are good reasons to cabin the circumstances in which it exercises this discretion. A rule that requires a party to raise an Appointments Clause challenge before the agency “gives [the] agency an opportunity to correct its own mistakes ... before it is haled into federal court,” and it “promotes judicial efficiency, as [c]laims generally can be resolved much more quickly and economically in proceedings before [the] agency than in litigation in federal court.” *In re DBC*, 545 F.3d 1373, 1378-79 (Fed. Cir. 2008) (alterations in original) (quoting *Woodford v. Ngo*, 548 U.S. 81, 89 (2006)). Even where an agency “lacks authority” to address the question, constitutional challenges may involve “many threshold questions ... to which the [agency] can apply its expertise” even if it

ultimately refuses “to pass upon the constitutionality of the legislation.” *Elgin v. Department of Treasury*, 567 U.S. 1, 16, 22-23 (2012).

Sweet 16 cites this Court’s decision in *Arthrex* for the proposition that the issue is “not waived” because “it would have been futile” to raise the issue before the Board. Br.18. But this Court’s decision to hear the waived Appointments Clause challenge in *Arthrex* was predicated on this Court’s conclusion that the Patent Act limited the ability of the Patent Trial and Appeal Board (PTAB) to provide the challengers with any “meaningful relief” had they raised the challenge before the Board in the first instance. *Arthrex*, 941 F.3d at 1339-40. There, this Court held that the Patent Act requires every inter partes review to be heard and decided by a panel of “at least three [PTAB] judges.” *Id.* at 1329. Thus, any reassignment in *Arthrex* would have resulted in the agency’s decision being issued by a panel of judges, only one of whom had been appointed by the President with the consent of the Senate. *Id.* The PTAB therefore could not have reassigned the case to a panel without the claimed constitutional defect. *Id.*; *see also id.* at 1327 (distinguishing the decision not to consider the Appointments Clause challenge in *DBC*, 545 F.3d at 1380 as being “predicated” on the PTAB’s ability to “correct[ ] the constitutional infirmity” by assigning to judges appointed consistent with the challenger’s constitutional theory).

Here, however, Sweet 16 does not raise an Appointments Clause challenge to administrative patent judges; it challenges administrative *trademark* judges. In contrast to the Patent Act, the Lanham Act does not mandate or otherwise specify how many

members of the Trademark Trial and Appeal Board must hear each trademark appeal or inter partes proceeding. Compare 35 U.S.C. § 6(c), with 15 U.S.C. § 1067. Thus, as discussed in greater detail *infra*, by its terms, the statute does not prohibit decisions being rendered by a single member of the TTAB. And, because the Director of the USPTO is a standing member of the TTAB who is appointed by the President with the advice and consent of the Senate, it would have been possible to reassign this case to an officer without the alleged defective appointment, thereby eliminating any potential constitutional infirmity.

Even if this relief were not available, there are other tangible benefits to requiring Sweet 16 to raise its Appointments Clause challenge to the TTAB in the first instance. As *Arthrex* illustrates, the question whether particular administrative judges are principal, rather than inferior, officers requires analysis of the role and supervision of the judges within their unique statutory scheme. Had Sweet 16 raised its challenge before the TTAB, the Board would have had the opportunity to exercise its expertise in its own procedures and in interpreting the Lanham Act, a statute that it “regularly construes,” to shed light on the questions eventually brought before this court. *Elgin*, 567 U.S. at 23. The TTAB’s expertise could, for example, have been “brought to bear” on the constitutional challenge here by analyzing the roles and duties of administrative trademark judges, *id.* (quoting *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 214-15 (1994)), including by addressing the ways in which their role under the Lanham Act differs from that of the administrative patent judges who compose the

PTAB. The TTAB's analysis of these issues would bear directly on the questions now presented to this Court, and could also have promoted judicial economy by "alleviat[ing] constitutional concerns." *Id.*

Sweet 16 offers no excuse for its failure to raise its Appointments Clause challenge before the TTAB in this case, nor has it even attempted to argue that this is "one of those exceptional cases that warrants consideration of the Appointments Clause issue despite its tardy presentation." *DBC*, 545 F.3d at 1379. Permitting it to raise this issue "for the first time on appeal would encourage what Justice Scalia has referred to as sandbagging, *i.e.*, 'suggesting or permitting, for strategic reasons, that the trial court pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error.'" *Id.* at 1380 (quoting *Freytag*, 501 U.S. at 895 (Scalia, J., concurring in part and concurring in the judgment)). This Court should not "overlook [Sweet 16's] lack of diligence to present an issue of which it was, or should have been, aware," and thus should refuse to consider the Appointments Clause challenge in this case. *Id.*

**V. Administrative Trademark Judges are Inferior Officers Whose Appointment Congress Permissibly Vested in the Secretary of Commerce.**

Sweet 16's Appointments Clause challenge is in any event meritless.

Administrative trademark judges are subject to substantial direction and control by the Director of the USPTO and the Secretary of Commerce, both of whom are Senate-confirmed officers. Under *Edmond v. United States*, 520 U.S. 651 (1997), and its

progeny, administrative trademark judges are therefore inferior officers, not principal ones, and the Appointments Clause permits Congress to vest their appointment in the Secretary of Commerce. *See* U.S. Const. art. II, § 2, cl. 2 (“the Congress may by law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments”). This Court’s decision in *Arthrex* does not govern here, because the Director has important tools for controlling administrative trademark judges that he does not have with respect to administrative patent judges.<sup>8</sup>

**A. Inferior Officers are “Directed and Supervised at Some Level” By Senate-Confirmed Superior Officers.**

1. The Supreme Court has “not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes.” *Edmond*, 520 U.S. at 661. 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” in the constitutionally relevant sense, the Court has focused on whether the officer is one

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<sup>8</sup> The government filed a petition for a writ of certiorari in *Arthrex* today. *Arthrex* is nevertheless distinguishable and this Court need not revisit its holding to find that administrative trademark judges are inferior officers.

“whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” *Id.* at 662-63.

Using that benchmark in *Edmond* itself, the Supreme Court held that the military judges of the Coast Guard Court of Criminal Appeals were inferior officers. 520 U.S. at 664. The Court acknowledged “the importance of the responsibilities that Court of Criminal Appeals judges bear,” noting that they resolve constitutional challenges, review death sentences, and could independently weigh all evidence to arrive at a legally and factually correct finding of guilt and sentence. *Id.* at 662. In determining that the judges were not principal officers, despite the significance of their duties, the Court relied on the degree of supervision the judges received from Senate-confirmed officers. That supervisory authority took various forms, including the power to direct and review the judges’ work, and the power to remove the judges from their role. *Id.* at 664-65. These supervisory powers were “divided between the Judge Advocate General (who in the Coast Guard is subordinate to the Secretary of Transportation) and the Court of Appeals for the Armed Forces.” *Id.* at 664.

The Judge Advocate General, the Court detailed, “exercises administrative oversight over” the judges, including the ability to “prescribe uniform rules of procedure” and “formulate policies and procedure.” *Edmond*, 520 U.S. at 664. The Judge Advocate General could also “remove a Court of Criminal Appeals judge from his judicial assignment without cause,” which the Court described as a “powerful tool for control.” *Id.* Notably, the Court did not identify any authority to remove a judge



from government employment entirely; it relied only on the power to remove a judge from “his judicial assignment.” *Id.*

In addition, the Court of Appeals for the Armed Forces reviewed any case decided by the military judges in which a death sentence had been imposed, and also reviewed cases ordered reviewed by the Judge Advocate General or in which it granted an accused’s petition for review. *Id.*; 10 U.S.C. § 867(a). This review is not plenary; “so long as there is some competent evidence in the record to establish each element of the offense beyond a reasonable doubt, the Court of Appeals for the Armed Forces will not reevaluate the facts.” *Edmond*, 520 U.S. at 665; 10 U.S.C. § 867(c). Thus, while neither the Judge Advocate General nor the Court of Appeals for the Armed Forces had “complete” control over the military judges and their decisions, the Supreme Court concluded that the officers collectively exercised a sufficient “level” of supervision to render military judges “inferior,” not principal officers. *Id.* at 663-65.

2. This Court first applied these principles in *Masias v. Secretary of Health & Human Services*, 634 F.3d 1283 (Fed. Cir. 2011), holding that special masters appointed under the National Childhood Vaccine Injury Act are inferior officers. *See id.* at 1293-95. The Court rejected the argument that the special masters were principal officers, despite the fact that the Court of Federal Claims was empowered to review and set aside the special masters’ decisions only under a deferential standard of review. *See id.* at 1293 & n.12 (citing 42 U.S.C. § 300aa-12(e)(2)(B)). This feature, this Court

observed, was similar to the review scheme in *Edmond*, and the Supreme Court nonetheless concluded that “the limitation upon review did not render the judges ‘principal officers.’” *Id.* at 1294.

Moreover, this Court concluded that “the special masters are administratively supervised by the judges of the Court of Federal Claims in a manner similar to the way in which the Judge Advocate General of the Coast Guard was found to exercise administrative oversight in *Edmond*,” pointing to the Court of Federal Claims’ ability to “remove special masters ‘for incompetency, misconduct, or neglect of duty or for physical or mental disability or for other good cause shown.’” *Id.* (quoting 42 U.S.C. § 300aa-12(c)(2)).

More recently, in *Arthrex*, this Court distilled the principles in *Edmond* and its progeny into three factors used to distinguish principal officers from inferior officers: “(1) whether an appointed official has the power to review and reverse the officer’s 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.” 941 F.3d at 1329. Applying those factors, the Court concluded that the administrative patent judges who serve on the PTAB were principal rather than inferior officers. Because Sweet 16’s Appointments Clause claim here rests entirely on *Arthrex*, the Court’s reasoning in that case requires close attention.

Administrative patent judges perform a variety of adjudicatory functions, including presiding over inter partes reviews. The Patent Act provides that inter

partes reviews “shall be heard by at least 3 members of the” PTAB, and if the PTAB determines that the claims of the patent are unpatentable, the Director must issue and publish a certificate cancelling those claims after the time for appeal of the Board’s decision has expired. 35 U.S.C. §§ 316(c), 318(b).

In addressing the status of administrative patent judges, this Court explained that, like the Judge Advocate General in *Edmond*, the Director of the USPTO has many tools for “broad policy-direction and supervisory authority” over the PTAB. *Arthrex*, 941 F.3d at 1331. The Court recognized that this broad policy-direction authority is a robust tool for supervising and controlling the PTAB’s work, and that this “weigh[ed] in favor of a conclusion that [administrative patent judges] are inferior officers.” *Id.* at 1332.

However, the Court stressed that, in contrast to *Edmond* and *Masias*, the Patent Act did not provide any “presidentially-appointed officer” with “independent statutory authority to review a final written decision by the [administrative patent judges] on behalf of the United States.” *Arthrex*, 941 F.3d at 1329. As the Court explained, the “Director is the only member of the [PTAB] who is nominated by the President and confirmed by the Senate.” *Id.* But the Director is “only one member of the [PTAB],” and the Patent Act states that “every inter partes review must be decided by at least three Board judges.” *Id.*; 35 U.S.C. § 6(c). As a result, the Court in *Arthrex* held that the Director does not have “the power to single-handedly review, nullify or reverse a final written decision issued by a panel of [administrative patent

judges].” *Arthrex*, 941 F.3d at 1329. Instead, in the Court’s view, “the decision to rehear a case and the decision on rehearing would still be decided by a panel” of three judges, and there “is no guarantee that the Director would even be in the majority of that decision.” *Id.*

Having concluded that the “supervision power” and the “removal power” pointed in opposite directions for purposes of the inferior-officer inquiry, the Court looked to the third *Edmond* factor, the power of removal. The Court found it significant that administrative patent judges may be removed from their employment at the USPTO “only for such cause as will promote the efficiency of the service.” *Arthrex*, 941 F.3d at 1333 (quoting 5 U.S.C. § 7513(a)). The Court concluded that this limitation on the removal power, together with the Director’s lack of authority to review decisions of the PTAB, rendered administrative patent judges principal rather than inferior officers. *Id.* at 1334 (“APJs issue decisions that are final on behalf of the Executive Branch and are not removable without cause”).

The Court acknowledged that the removal authority in *Masias* and *Edmond* had been subject to similar and arguably more significant limitations, but the Court distinguished those cases on the basis that the supervising officers in *Masias* and *Edmond* had at least some ability to review and reverse the decisions of the officers whose appointments were challenged in those cases. *See id.* at 1333-34 (“Though there were significant limits on removal in *Masias*, our court recognized that ‘decisions issued by the special masters are subject to review’ ... and although the review was

not *de novo*, it favored a finding that the special masters were not principal officers.” (quoting *Masias*, 634 F.3d at 1295)). By contrast, this Court held, the Director of the USPTO did not have the “significant power” to unilaterally review the decisions of administrative patent judges. *Arthrex*, 941 F.3d at 1333-34.

**B. Administrative Trademark Judges Are Subject to Robust Supervision and Control by Senate-Confirmed Officers.**

Sweet 16’s untimely Appointments Clause challenge rests entirely on this Court’s decision in *Arthrex*. Sweet 16 argues that “[i]nasmuch as administrative trademark judges of the TTAB are appointed in the same manner as PTAB judges, under *Arthrex*, TTAB judges are also unconstitutionally appointed.” Br.18.

However, *Arthrex* addressed only the constitutional status of administrative patent judges, and as discussed above, its holding rests on a close examination of the ways which administrative patent judges are—and are not—subject to direction and supervision by the Director and the Secretary of Commerce. Administrative trademark judges operate under a different statutory regime that gives the Director substantially greater control over their actions than *Arthrex* determined the Director had over administrative patent judges. In light of these differences, the analysis of the relationship between the Director and the PTAB that led to the decision in *Arthrex* does not apply here. Instead, the Director’s authority over administrative trademark judges closely resembles the sorts of authority that led the Supreme Court and this Court to classify the officers in *Edmond* and *Masias* as inferior officers.

Most importantly, the Lanham Act provides the Director with a type of authority over administrative trademark judges that this Court considered critically lacking in *Arthrex*: he may directly review and reverse their decisions. Together with the other supervisory powers at their disposal, including the power to set binding policies and the power of removal, the power to review decisions of the TTAB creates a sufficient level of supervision to render these judges inferior officers even under *Arthrex*'s analysis and to make lawful Congress's decision to vest their appointment in the Secretary.

1. In *Arthrex*, this Court concluded that the Director's "broad policy-direction and supervisory authority" over the PTAB "weigh[ed] in favor of a conclusion that [administrative patent judges] are inferior officers." *Arthrex*, 941 F.3d at 1332. The Director has the same policy-making tools at his disposal with respect to the TTAB.

First, all of the "powers and duties" of the USPTO are "vested in" the Director, who is "responsible for providing policy direction and management supervision" for the agency. 35 U.S.C. § 3(a)(1), (2)(A). Thus, as with the PTAB, the Director "has the authority to promulgate regulations governing the conduct" of the substance and procedures of proceedings before the TTAB. *Arthrex*, 941 F.3d at 1330; 15 U.S.C. § 1123; 35 U.S.C. § 2(b); *see also Edmond*, 520 U.S. at 664 (detailing the Judge Advocate General's ability to "prescribe uniform rules of procedure" and "formulate policies and procedure" for military judges).

Beyond this regulatory authority, the Director can control the substance of TTAB decisions by exercising his statutory authority to “issue policy directives and management supervision of the Office.” *Arthrex*, 941 F.3d at 1332; 35 U.S.C. § 3(a)(2)(A). Through these directives, the Director can interpret and apply the patent and trademark laws, thereby controlling the substance of decisions rendered by both the TTAB and the PTAB. If the Director wishes to do so, he may even give “instructions” with “exemplary applications of [trademark] laws to fact patterns,” and may do so in connection with pending cases that present such fact patterns. *Arthrex*, 941 F.3d at 1332; 35 U.S.C. § 3(a)(2)(A). TTAB members, like all officers and employees of the USPTO, must follow the Director’s policy directions when rendering their decisions, and failure to do so could lead to exclusion from the TTAB’s panels or even removal from office.

2. In contrast to the statutory scheme governing administrative patent judges, however, the Lanham Act does not place any limitations on the Director’s ability to singlehandedly review or reverse decisions made by administrative trademark judges. To the contrary, the Lanham Act provides the Director with broad supervisory authority to establish the regulations that govern proceedings before the TTAB, of which he is a member. 15 U.S.C. § 1123.

The Director also has the general authority to establish rules for procedure in the patent context, but this Court concluded that authority was limited by the statutory requirement that all inter partes proceedings before the PTAB be decided by

a panel of at least three members. *Arthrex*, 941 F.3d at 1329; 35 U.S.C. § 6(c). Thus, this Court held, the Director, “cannot, on his own, *sua sponte* review or vacate a final written decision” of the administrative patent judges.” *Arthrex*, 941 F.3d at 1329. Once the decision issues, “if no party appeals,” “the Director’s hands are tied,” he must issue a certificate of patentability. *Id.*

The Lanham Act has no comparable limitation. Compare 35 U.S.C. § 6(c), with 15 U.S.C. § 1067. An earlier version of the statute, like the Patent Act, specified that each proceeding before the TTAB “shall be heard by at least three members of the Board, the members hearing such case to be designated by” the Director’s predecessor. 15 U.S.C. § 1067 (1994). But that requirement was eliminated by the Intellectual Property and Communications Omnibus Reform Act of 1999. *See* 113 Stat. at 1501A-580. Now, the statute specifies only 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. It is silent regarding the composition of the panel that decides each case, and instead, leaves decisions regarding the size and composition of panels entirely to the Director pursuant to his general authority to establish regulations that govern the practice and procedure of the TTAB. 15 U.S.C. § 1123.

The omission of this limitation is significant because, in its absence, the Director may exercise his general supervisory authority to provide that any decision, either initially or on rehearing, will be decided by a single member of the TTAB. And



because the Director himself is a standing member of the TTAB, he may likewise use this authority to designate himself as the sole member of any rehearing panel, thus permitting him to unilaterally review and reverse decisions of administrative trademark judges. As this Court recognized in *Arthrex*, the “independent statutory authority to review a final written decision” is a powerful tool of control that favors a finding that administrative trademark judges are inferior officers. *See* 941 F.3d at 1329. This is true even if—unlike here—the Director’s review is not plenary. *See Edmond*, 520 U.S. at 664-65 (noting that the Court of Appeals for the Armed Forces’ “scope of review is narrower” than that of military judges, since they would “not reevaluate the facts” if the record contained “competent” evidence); *Masias*, 634 F.3d at 1294 (noting similar standard of review).

The USPTO’s current regulations and practice confirm that the Director has broad authority to directly review and reverse decisions of administrative trademark judges. Notably, 37 C.F.R. § 2.146 expressly 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. *Id.* § 2.146(a)(3). And unlike the patent context, such review is unlimited by any requirement that TTAB actions proceed through three-judge panels.

By regulation and by practice, the Director has elected to use this petition process only to review interlocutory orders that concern interlocutory “matters of

procedure.” TBMP § 905 (“In 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). However, that limitation is simply a choice on the part of the Director; it is not required by the Lanham Act. Indeed, the Lanham Act explicitly places the ultimate relief in any inter partes proceeding in the Director’s discretion. It provides that

the Director may refuse to register the opposed mark, may cancel the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register the registration of a registered mark, may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings.

15 U.S.C. § 1068. The only limit to the Director’s discretion over the final relief that he “may” provide is thus that the remedy must be consistent with “the rights of the parties” as established in the inter partes proceeding, which as noted above, is subject to the Director’s single-handed review.

All of this stands in stark contrast to this Court’s reading of the Patent Act in *Arthrex*, in which this Court held that any rehearing or review must be conducted by a panel of at least three members of the PTAB, and the Director “*shall* issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable.” *Arthrex*, 941 F.3d at 1329 (quoting 35 U.S.C. § 318(b) (emphasis in *Arthrex*)). Here,

there is simply no argument that the Director’s “hands are tied” by a decision of the other administrative trademark judges. *See id.* The Lanham Act does not require inter partes decisions to be issued by a panel of at least three members of the TTAB, and so the Director has the authority to unilaterally control the outcome of the proceeding—such as by *sua sponte* ordering a rehearing or directing a panel to reconsider an issue in light of a new policy directive—before he issues the ultimate relief in a case. Thus, in contrast to this Court’s conclusion in *Arthrex*, administrative trademark judges have “no power to render a final decision on behalf of the United States unless permitted to do so” by the Director. *See Arthrex*, 941 F.3d at 1331 (quoting *Edmond*, 520 U.S. at 665).

That the TTAB does not have the “power to render a final decision on behalf of the United States” without the Director’s approval is even more apparent in the context of ex parte appeals. The Lanham Act provides that the Director “shall be responsible for ... the registration of trademarks,” and that any certificate of registration must be “signed by the Director.” 35 U.S.C. § 2. Indeed, USPTO regulations expressly contemplate that the Director may order that an application that has been denied by the TTAB in an ex parte appeal be reopened for further examination. 37 C.F.R. § 2.142(g); TBMP §§ 1217, 1218. Nor is the Director bound by a decision of the TTAB when it rules in favor of an applicant. The final authority to register a trademark application rests solely with the Director, 35 U.S.C. § 2, and 37 C.F.R. § 2.84 expressly contemplates that the Director may authorize a trademark

examining attorney to reopen an application even after the TTAB has issued a favorable decision and the application has been published in the USPTO's Official Gazette. *See also Last Best Beef, LLC v. Dudas*, 506 F.3d 333, 340-41 (4th Cir. 2007); *Cal. Canneries Co. v. Lush's Prods. Co.*, 49 F.2d 1044, 1046 (CCPA 1931).

Thus, as in *Edmond* and *Masias*, and in contrast to this Court's view of the PTAB in *Arthrex*, the Lanham Act ensures that Senate-confirmed officers have means of supervising the substance as well as the process of the TTAB's decisions. *See Edmond*, 520 U.S. at 664-66; *Masias*, 634 F.3d at 1294-95. As in *Edmond* and *Masias*, the Director can preside over petitions arising from the TTAB's decisions directly, and he in fact exercises that authority through the petition processes set forth in 37 C.F.R. § 2.146 and 37 C.F.R. § 2.142(g). It is of no consequence that the Director has elected to confine his review to questions of procedure. *See* TBMP § 905; 37 C.F.R. § 2.146(b). What is critical for the purpose of the Appointments Clause is that the Director has "independent statutory authority" to review the administrative trademark judges' decisions. *Arthrex*, 941 F.3d at 1329; *see also Edmond*, 520 U.S. at 664-65 (analyzing the Appointments Clause question by examining the statutory authority to review decisions, rather than by examining how often the officers exercised this authority). He does.

Moreover, *Edmond* and *Masias* make clear that a superior officer need not have *unlimited* review over an inferior officer's work, and thus the self-imposed limitations on the Director's review in this context—which the Director may revise at any time—

do not alter the analysis. *See Edmond*, 520 U.S. at 664-65 (noting that the Court of Appeals for the Armed Forces’ “scope of review is narrower” than that of the military judges, since they would “not reevaluate the facts” if the record contained “competent” evidence); *Masias*, 634 F.3d at 1294 (noting similar standard of review). Indeed, the Director’s supervisory power here is in many respects even greater than the ones that the Supreme Court and this Court relied on in those cases. The Director need not await a TTAB decision that he disagrees with to set out a new interpretation of the law that the TTAB is required to apply in its decisions, as was the case with the supervisory officers in *Edmond* and *Masias*. *See Edmond*, 520 U.S. at 664 (noting that the Court of Appeals for the Armed Forces could reverse certain categories of decisions made by the military judges at issue); *Masias*, 634 F.3d at 1294-95 (invoking the Court of Federal Claims’ authority to reverse special masters’ decisions). The Director plainly may review even the TTAB’s interlocutory orders, and, even before any decision is issued, the Director may prospectively bind all administrative trademark judges to decide cases in conformity with his understanding of the law by issuing binding policy guidance.

3. Finally, 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*. First, because the statute vests in the Director the general authority to promulgate rules and procedures for TTAB proceedings, he may establish rules regarding the composition of TTAB panels. *See* 15 U.S.C. § 1123.

As a result, the Director has the power to decide which matters any particular administrative trademark judge will be allowed to handle. And the Director could, at his discretion, choose to never assign a particular judge to any panel, effectively removing that judge from TTAB service—and short of that step, he could choose never to assign a judge to any case or class of cases presenting particular issues. The Director may thus relieve an administrative trademark judge of *all* of the official powers and duties of the office. In this regard, the Director’s authority mirrors the Judge Advocate General’s authority in *Edmond* to remove military judges. *Edmond*, 520 U.S. at 664 (relying on the fact that the Judge Advocate General could remove a judge “from his *judicial assignment* without cause”) (emphasis added).

Further, the Secretary of Commerce may also remove administrative trademark judges from government service entirely, under a less protective standard than that which applied to the special masters whom this Court found to be inferior officers in *Masias*. There, this Court pointed to the Court of Federal Claims’ ability to remove the officials in question upon a finding of “incompetency, misconduct, or neglect of duty or for physical or mental disability or other good cause shown.” *Masias*, 634 F.3d at 1294 (quoting 42 U.S.C. § 300aa-12(c)(2)). Here, administrative trademark judges, like all federal employees, may be removed from their position to “promote the efficiency of the service,” 5 U.S.C. § 7513(a), which generally permits removal for any legitimate reason provided that there is a nexus between that reason “and the

work of the agency.” See *Brown v. Dep’t of the Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000).

In *Arthrex*, this Court found that these removal authorities were insufficient to render administrative patent judges inferior officers. But that was only because, in the Court’s view, the Director *also* lacked the power to review the final decisions of the PTAB. As *Edmond* and *Masias* show, when an officer’s decisions are subject to review by a Senate-confirmed officer, as they are here, even more circumscribed forms of removal authority are sufficient to render the officer an inferior officer rather than a principal one.

In sum, the Director of the USPTO and Secretary of Commerce have significant authority to supervise administrative trademark judges, including the authority to review and reverse their decisions—a power that *Arthrex* found critically lacking with respect to patent judges, and a power that aligns this case with *Edmond* and *Masias*. That power, together with their other supervisory tools, permit the Director and Secretary to exercise sufficient direction and supervision to render administrative trademark judges inferior, not principal, officers. *Edmond*, 520 U.S. at 665. And even if this supervision were somehow deemed constitutionally insufficient, the Court could cure any constitutional defect without invalidating the judges’ appointments. See *Arthrex*, 941 F.3d at 1335-38.

## CONCLUSION

The Court should affirm the Board's judgment that Appellants' registration should be cancelled.

Respectfully,

July 8, 2020

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## CERTIFICATE OF COMPLIANCE

I certify pursuant to Federal Rule of Appellate Procedure 32(a)(7) that the foregoing CORRECTED BRIEF FOR INTERVENOR, DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE complies with the type volume limitation. The total number of words in the foregoing brief, excluding the cover page, table of contents, table of authorities, and certificates of counsel, is 13,968 words, calculated using the Microsoft Word® software program.

July 8, 2020

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**CERTIFICATE OF SERVICE**

I hereby certify that on July 8, 2020, I electronically filed the foregoing CORRECTED BRIEF FOR INTERVENOR, DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE with the Court's CM/ECF filing system, which constitutes service pursuant to Fed. R. App. P. 25(c)(2) and Fed. Cir. R. 25(e)(1).

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