

No. 2020-1196

**IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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

Appellants,

v.

SCHIEDMAYER CELESTA GMBH,

Appellee,

ANDREW HIRSHFELD, performing the functions and duties of the Under
Secretary of Commerce for Intellectual Property and Director of the United States
Patent and Trademark Office,

Intervenor.

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

SUPPLEMENTAL BRIEF OF INTERVENOR

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
ARGUMENT.....	2
I. <i>Arthrex</i> Confirms that Administrative Trademark Judges are Inferior Officers.....	2
A. <i>Arthrex</i> Found an Appointments Clause Violation Because the Decisions of Administrative Patent Judges Were Not Subject to Review by Senate-Confirmed Superior Officers.....	2
B. The Lanham Act Permits the Director to Review Decisions by Administrative Trademark Judges.....	4
CONCLUSION.....	10
CERTIFICATE OF COMPLIANCE	
CERTIFICATE OF SERVICE	

TABLE OF AUTHORITIES

Cases:	<u>Page(s)</u>
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019).....	1
<i>Edmond v. United States</i> , 520 U.S. 651 (1997).....	2, 3, 8
<i>Macktal v. Chao</i> , 286 F.3d 822 (5th Cir. 2002)	6
<i>Tokyo Kikai Seisakusho, Ltd. v. United States</i> , 529 F.3d 1352 (Fed. Cir. 2008).....	6
<i>United States v. Arthrex, Inc.</i> , 141 S. Ct. 1970 (2021).....	1, 2, 3, 4, 7, 8
 U.S. Constitution:	
Art. II, § 2, cl. 2.....	1
 Statutes:	
Trademark Modernization Act of 2020, Pub. L. No. 116-260, 134 Stat. 1182.....	5, 6, 7
Pub. L. No. 106-113, 133 Stat. 1501 (1999).....	5
10 U.S.C. § 867(a).....	3
15 U.S.C. § 1067(b)	5
15 U.S.C. § 1067 (2018)	4
15 U.S.C. § 1067 (1994)	5

15 U.S.C. § 1068.....	5
15 U.S.C. § 1068 note.....	6
15 U.S.C. § 1070.....	5
15 U.S.C. § 1092.....	5, 6, 7
15 U.S.C. § 1123.....	5
35 U.S.C. § 6.....	1
35 U.S.C. § 6(c).....	3, 4, 7

Regulations:

37 C.F.R. § 2.129(c)	8
37 C.F.R. § 2.144.....	8
37 C.F.R. § 2.146.....	8

Legislative Material:

H.R. Rep. No. 116-645 (2020)	6
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INTRODUCTION

This case is an appeal from a decision by the Trademark Trial and Appeal Board (TTAB) cancelling Registration No. 3,340,759 for the mark SCHIEDMAYER for “pianos, namely, upright pianos, grand pianos, and digital pianos.” In challenging the TTAB’s decision, the Appellants argue, *inter alia*, that the administrative trademark judges of the TTAB are principal officers who were not appointed in conformity with the Appointments Clause, U.S. Const. art. II, § 2, cl. 2. In support of that argument, the Appellants’ initial briefing relied solely on this Court’s decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), which was recently vacated by the Supreme Court in *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021).

Like this Court’s earlier decision, the Supreme Court in *Arthrex* held that the administrative *patent* judges who serve on the Patent Trial and Appeal Board (PTAB) were principal officers insofar as 35 U.S.C. § 6 precluded the Director of the United States Patent and Trademark Office (USPTO) from reviewing the PTAB’s final written decisions. 141 S. Ct. at 1979-86. However, as explained in the government’s intervenor brief in this case, the Lanham Act does not place the same restrictions on the Director’s oversight of administrative trademark judges that the Supreme Court found constitutionally problematic under the Patent Act in *Arthrex*. To the contrary, as the Court recognized in *Arthrex*, the Lanham Act does not restrict the Director’s authority to review and reverse decisions of the TTAB. 141 S. Ct. at 1987. Because the Director possesses the authority to supervise both the process and substance of

TTAB proceedings, administrative trademark judges are inferior officers whose appointments Congress permissibly vested in the Secretary of Commerce. The Supreme Court’s decision in *Arthrex* confirms that conclusion and disposes of the Appellants’ constitutional claim here.

ARGUMENT

I. *Arthrex* Confirms that Administrative Trademark Judges are Inferior Officers

A. *Arthrex* Found an Appointments Clause Violation Because the Decisions of Administrative Patent Judges Were Not Subject to Review by Senate-Confirmed Superior Officers

As the Supreme Court explained in *Arthrex*, the question “[w]hether one is an ‘inferior’ officer depends on whether” the officer’s work is “directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1980 (2021) (alteration in original) (quoting *Edmond v. United States*, 520 U.S. 651, 662-63 (1997)). Applying that benchmark in *Arthrex*, the Supreme Court compared the level of direction and supervision over administrative patent judges to that at issue in *Edmond v. United States*, in which the Supreme Court held that the military judges of the Coast Guard Court of Criminal Appeals were inferior officers because of the degree of supervision the judges received from Senate-confirmed officers. 141 S. Ct. at 1980-82.

Edmond found it constitutionally significant that the military judges did not have the “power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers,” because the statutory scheme permits review of those decisions by the Court of Appeals for the Armed Forces. *Edmond*, 520 U.S. at 664-65; 10 U.S.C. § 867(a). By contrast, *Arthrex* emphasized that the Patent Act insulates administrative patent judges’ decisions from “review by their nominal superior or any other principal officer in the Executive Branch.” *Arthrex*, 141 S. Ct. at 1981 (citing *Edmond*, 520 U.S. at 665). As the Court explained, 35 U.S.C. § 6(c) provided that “only the PTAB can grant rehearing” and any PTAB decision must be made by at least three members of the PTAB. *Id.* at 1981. There was thus no method for the Director or any other Senate-confirmed officer to unilaterally rehear a decision by administrative patent judges. *Id.* at 1981-82. The Court held that the limitations of 35 U.S.C. § 6(c) granted the administrative patent judges the “unreviewable authority” to “issue a final decision binding the Executive Branch,” and that this was “incompatible with their appointment by the Secretary to an inferior office.” *Id.* at 1985.

To correct this constitutional problem, the Court invalidated 35 U.S.C. § 6(c) “to the extent that its requirements prevent the Director from reviewing final decisions rendered by [administrative patent judges].” *Arthrex*, 141 S. Ct. at 1987 (plurality opinion); *id.* at 1997 (Breyer, J. concurring in remedial portion of plurality opinion). This remedy permitted the Director to “review final PTAB decisions” and,

upon review, to “issue decisions himself on behalf of the Board,” which in turn would permit the administrative patent judges to “properly function as inferior officers.” *Id.* at 1987 (plurality opinion).

B. The Lanham Act Permits the Director to Review Decisions by Administrative Trademark Judges

As explained in the government’s intervenor brief, in contrast to the provisions of the Patent Act governing the decisions of the PTAB, the Lanham Act does not limit the Director’s authority to rehear decisions by administrative trademark judges. *See* Intervenor Br. 47-53; *compare* 35 U.S.C. § 6(c), *with* 15 U.S.C. § 1067 (2018). That places administrative trademark judges on the other side of the constitutional line drawn by the Court in *Arthrex*. Indeed, the Court used the relationship between the Director and the TTAB as a constitutional model for its remedy in *Arthrex*. The Court explained that invalidating the limitation imposed by 35 U.S.C. § 6(c), and affording the Director the authority to review Patent Trial and Appeal Board decisions, “aligns with the *other* adjudicative body in the [US]PTO, the Trademark Trial and Appeal Board.” 141 S. Ct. at 1987 (plurality opinion). The fact that the Supreme Court framed its remedy in *Arthrex* to mirror the existing statutory scheme in the Lanham Act demonstrates conclusively that the status of administrative trademark judges raises no constitutional problem under the Lanham Act.

1. An early version of the Lanham Act, like the provisions of the Patent Act found constitutionally lacking in *Arthrex*, 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 before the proceedings at issue here by the Intellectual Property and Communications Omnibus Reform Act of 1999. *See* Pub. L. No. 106-113, 113 Stat. 1501, 1501A-580 (1999).

The elimination of this language is significant because, in its absence, the Director may exercise his general supervisory authority to make rules that govern proceedings before the TTAB, *see* 15 U.S.C. § 1123, of which he is a member, *id.* § 1067(b). And because the Lanham Act is silent regarding the composition of TTAB panels, the Director may exercise this authority to provide that any decision, either initially or on rehearing, will be decided by a single member of the TTAB—himself.

Congress recently confirmed that the Director possesses the authority to unilaterally reconsider TTAB decisions. Section 228 of the Trademark Modernization Act of 2020, Pub. L. No. 116-260, div. Q, tit. II, subtit. B, § 228, 134 Stat. 1182, 2209-10, entitled “Amendments to Confirm Authority of the Director,” amended the Lanham Act to explicitly provide that the Director has “the authority to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board.” *See* 15 U.S.C. §§ 1068, 1070, 1092. The Act itself states that this amendment was designed to “[c]onfirm” the Director’s existing authority to order rehearing, and that it “shall not be construed to mean that the Director lacked the authority to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board before the date of

enactment of this Act.” Trademark Modernization Act of 2020, § 228, 134 Stat. at 2210; 15 U.S.C. § 1068 note. As the House Report on the amendment explained, “[b]ecause it is understood that this authority already exists in the trademark context, the statutory additions should be understood to be confirmatory only.” H.R. Rep. No. 116-645, at 22 (2020).

Appellants ignore the explicit text of the Trademark Modernization Act when they insist that, prior to the Act’s enactment, the Director did not have the ability to rehear decisions of administrative trademark judges. *See, e.g.*, Suppl. Br. 3, 5-6. Nor are Appellants correct to suggest that the Lanham Act’s previous silence regarding rehearing meant that any rehearing was prohibited entirely. *See* Suppl. Br. 8. As this Court and other courts of appeals have “uniformly concluded,” “[t]he power to reconsider is inherent in the power to decide.” *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1360 (Fed. Cir. 2008); *see also, e.g., Macktal v. Chao*, 286 F.3d 822, 825-26 (5th Cir. 2002) (“[I]t is generally accepted that in the absence of a specific statutory limitation, an administrative agency has the inherent authority to reconsider its decisions.”). The authority to grant rehearing is thus inherent in the power granted to the TTAB to issue decisions in the first place; it exists unless the statute expressly provides otherwise.

Appellants cite 15 U.S.C. § 1092, which governs cancellation of marks on the Supplemental Register, in support of their claim (Suppl. Br. 5-6) that the Lanham Act precluded rehearing prior to the enactment of the Trademark Modernization Act.

Because the mark in question in this proceeding was never registered on the Supplemental Register, that provision has no relevance here. In any event, Appellants' focus on section 1092's "mandatory" language (Suppl. Br. 5-6) confuses the constitutional defect identified in *Arthrex*. The problem in *Arthrex* was not that the Patent Act requires the Director to cancel a patent in accordance with the final written decision of the PTAB at the conclusion of any inter partes review proceedings. The problem was that a different provision of the Patent Act, 35 U.S.C. § 6(c) precluded the Director from exercising adequate supervision over administrative patent judges during those proceedings by prohibiting him from deciding unilaterally to rehear their decisions. *See, e.g., Arthrex*, 141 S. Ct. at 1981-82; *id.* at 1986-87 (plurality opinion) (noting that the Patent Act "insulates [administrative patent judges] from supervision" through 35 U.S.C. § 6(c)); *see also* 141 S. Ct. at 1189 (Gorsuch, J., concurring in part and dissenting in part) ("[O]nly a PTAB panel—and no other official within the Executive Branch—may grant rehearing."). As the Trademark Modernization Act confirms, no such prohibition exists in the Lanham Act, and the Director may unilaterally order rehearing. *See* Trademark Modernization Act of 2020, § 228, 134 Stat. at 2210 (amending 15 USC § 1092 to "[c]onfirm" that the Director has the authority to "reconsider[] the decision of the Board" before issuing a cancellation).

The frequency with which, and various circumstances under which, the Director has exercised the authority to order rehearing (Suppl. Br. 6) is not

constitutionally relevant. What is critical for the purpose of the Appointments Clause is the existence of supervisory authority. Thus, in *Edmond*, the Court analyzed the Appointments Clause question by examining the statutory authority of superior officers to review decisions, rather than by examining how often the officers exercised this authority. *See* 520 U.S. at 664-65. And in *Arthrex*, the Court was able to cure the constitutional problem simply by invalidating § 6(c) to the extent that it kept the Director from ordering or conducting rehearing. The Court did not require the Director to rehear PTAB decisions; it was enough to provide “an adequate *opportunity* for review by a principal officer.” *Arthrex*, 141 S. Ct. at 1987-88 (plurality opinion) (emphasis added). The remedy in *Arthrex* confirms that the Director’s authority to review is enough to render an administrative judge an inferior officer, regardless of whether or how that authority is exercised.

Unlike the supervisory provisions found lacking in *Arthrex*, the Lanham Act does not contain any “statutory prohibition on review,” and the Director may “take responsibility for the ultimate decision” because it is within his power to decide which cases to rehear. *See Arthrex*, 141 S. Ct. at 1981-82. As explained in our intervenor brief, the Director has promulgated regulations that provide multiple avenues for dissatisfied parties to seek reconsideration of TTAB decisions. Intervenor Br. 3-4, 49-52; *see also* 37 C.F.R. §§ 2.146, 2.129(c), 2.144. And although rehearing petitions are customarily heard by the same Board panel that rendered the initial decision, neither the Lanham Act nor the regulations specify how many members of the Board (of

which the Director is a statutory member) must agree to grant a rehearing; 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. The statute and the regulations thus permit the Director to rehear both interlocutory and final decisions of administrative trademark judges.

In sum, *Arthrex* recognizes that the Director has significant supervisory authority over administrative trademark judges, including the authority to supervise the substance of their decisions by ordering and conducting rehearing. And *Arthrex* confirms that this power, together with the other supervisory tools discussed in the government's intervenor brief, permit the Director and the Secretary of Commerce to exercise sufficient direction and supervision to render administrative trademark judges inferior, not principal, officers. There is therefore no constitutional defect in the administrative trademark judges' appointment by the Secretary of Commerce. Because the TTAB's decision that Appellants' registration should be cancelled is correct, and there are no underlying Appointments Clause issues, this court should affirm.¹

¹ Appellants argue (Suppl. Br. 10) that a remand is appropriate to permit the Director the opportunity to determine whether to rehear the TTAB's decision in this case, and that if the Director declines to do so, he should not be permitted to intervene in any future appeal. As discussed, the Director has always had the authority to rehear the TTAB's decisions here, and there is no need to remand to provide the Director with a second opportunity to exercise that authority. Furthermore, Appellants' demand that the Director not be permitted to intervene in

CONCLUSION

For the foregoing reasons, this Court should therefore affirm the TTAB's judgment that Appellants' registration should be cancelled.

Respectfully submitted,

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the event of a future appeal is not ripe and thus not properly before the Court. Appellants' demand is in any event meritless; there is nothing unusual or suspect about an agency appearing in a court of appeals to defend its decisions.

CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limit of Federal Rule of Appellate Procedure 32(a)(7)(B) because it contains 2,378 words. This brief further complies with the type-volume limit of this Court's order dated June 23, 2021, because it does not exceed 10 pages double-spaced. This brief also complies with the typeface and type-style requirements of Federal Rule of Appellate Procedure 32(a)(5)-(6) because it was prepared using Microsoft Word 2016 in Garamond 14-point font, a proportionally spaced typeface.

/s/ Jennifer L. Utrecht

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CERTIFICATE OF SERVICE

I hereby certify that on July 21, 2021, I electronically filed the foregoing brief with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system.

/s/ Jennifer L. Utrecht

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