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IS DESIGN PATENT EXAMINATION TOO LAX?

Sarah Burstein[†]

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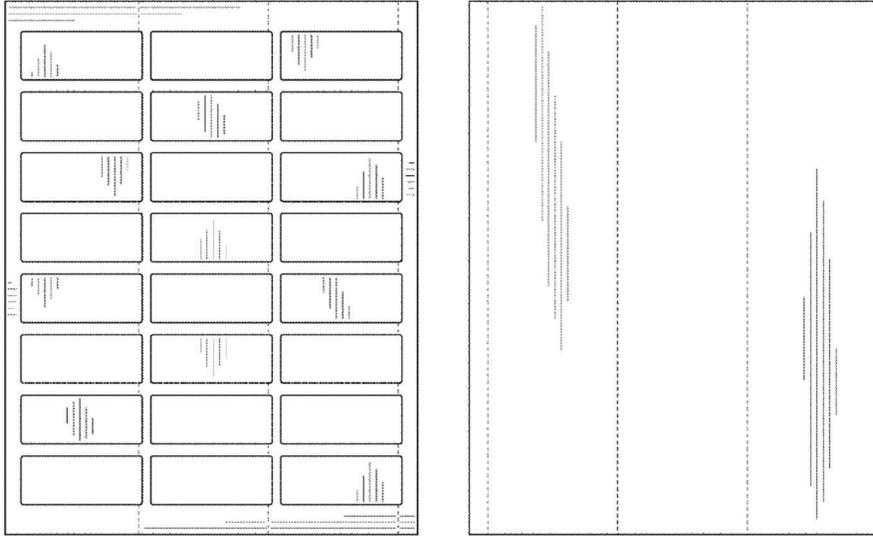
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I. INTRODUCTION

To be patentable, a design is supposed to be novel, nonobvious, and ornamental.¹ But every week, the U.S. Patent and Trademark Office (USPTO) issues patent for designs that seem to be none of the above.² For example, this recently-issued design patent claims a design for a sheet of labels:³

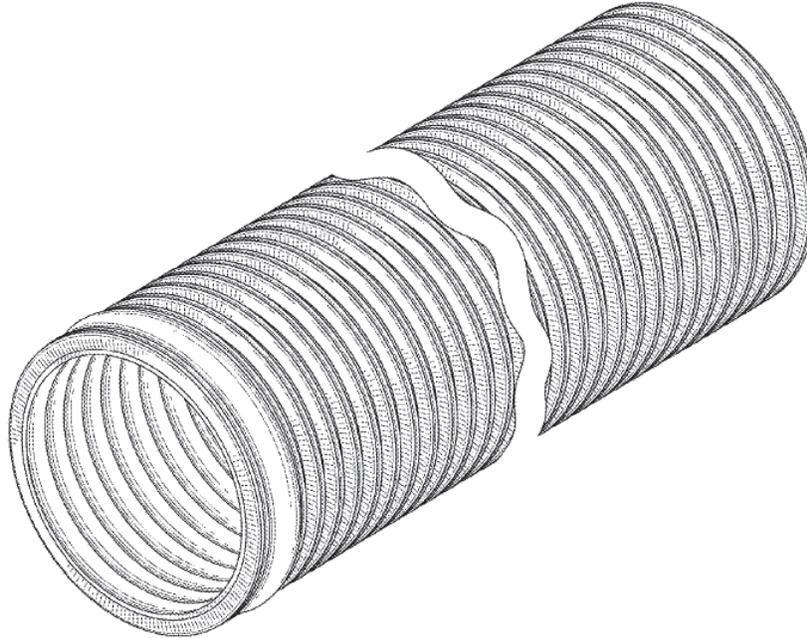


1. See 35 U.S.C. §§ 171(a)–(b) (Supp. I 2013).

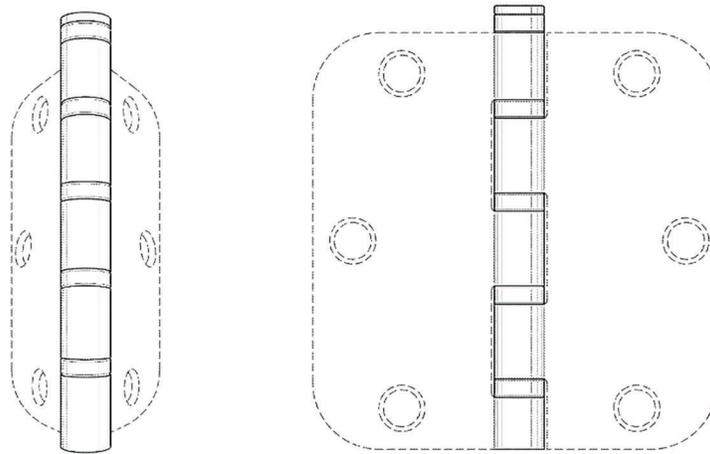
2. See Sarah Burstein, *Costly Designs*, 77 OHIO ST. L.J. 107, 125 (2016) (collecting examples); see also DESIGN LAW TUMBLR, <http://design-law.tumblr.com/tagged/seriously%3F> [<https://perma.cc/QDE3-J66G>] (last visited Oct. 24, 2018). Other commentators have expressed incredulity about the validity of other issued design patents. See, e.g., Hannah Brown, *Having Your Cake and Eating It Too: Intellectual Property Protection for Cake Design*, 56 IDEA 31, 83 (2016) (“It is difficult to believe that the patent examiners would see a circular design with simple strawberries on top as ‘non-obvious’ Yet the USPTO approved the design”) (referring to Combined Cake and Ice Cream Dessert, U.S. Patent No. D571,526 (claiming priority to an application filed June 23, 2004)).

3. Label Sheet Assembly, U.S. Patent No. D813,944, figs.2–3 (filed Mar. 13, 2017).

This one claims a design for an exhaust pipe:⁴



And this one claims a design for a door hinge:⁵



4. Exhaust Pipe for Water Heater, U.S. Patent No. D816,196 figs.1-2 (filed Sept. 26, 2016).

5. Door Hinge, U.S. Patent No. D816,460 fig.1 (filed Jul. 20, 2016).

While reasonable people might disagree about the qualitative merits of these designs, quantitative analyses show that there is a very high allowance rate for U.S. design patent applications. In a 2010 study, Professor Dennis Crouch found that “[f]or the past decade, the allowance rate for design patent applications has remained over 90%.”⁶ During the same period, the allowance rate for utility patents was reportedly 44%.⁷ In a random sampling of design patents issued in a single year, Professor Crouch calculated “a prior-art-based rejection rate of only 1.2%.”⁸ Instead, most of the rejections were based on drawing problems and other technical deficiencies.⁹

This state of affairs has led some commentators to argue that the USPTO is being too lax in examining design patent applications.¹⁰ Professor Crouch

6. Dennis D. Crouch, *A Trademark Justification for Design Patent Rights* 18 (Aug. 10, 2010) (unpublished manuscript) http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1656590 [<https://perma.cc/4VRB-H4HE>] (“For the past decade, the allowance rate for design patent applications has remained over 90%.”).

7. *Id.* (“The 90+% allowance rate for design patents can be contrasted with the reported 44% allowance rate for utility patent applications.”) (citing *American Innovation at Risk: The Case for Patent Reform Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 110th Cong. (2007) (statement of Jon W. Dudas, Undersecretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office), <http://www.ogc.doc.gov/ogc/legreg/testimon/110s/Dudas022708.doc>; Shine Tu, Stephen B. Maebius, & Jonathan W. Dudas, *Squeezing More Patent Protection from a Smaller Budget Without Compromising Quality*, 2 LANDSLIDE 35, 37 (2009)).

8. *Id.* at 19.

9. *See id.* (“The most common rejections were based on the doctrines of enablement, written description, and indefiniteness. These rejections—typically asserted collectively—were often overcome by a patentee’s ministerial clarification of aspects of the originally submitted drawings.”). Following the United States’ ratification of the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs, the overall allowance rate is likely to go down because foreign applicants aren’t always familiar with the technical requirements, such the drawing rules, that apply to U.S. design patent applications. For more on the Hague Agreement, *see* Burstein, *supra* note 2, at 155.

10. *See, e.g.*, Michael Risch, *Functionality and Graphical User Interface Design Patents*, 17 STAN. TECH. L. REV. 53, 61–62 (2013) (stating that graphical user interface (GUI) design patents “are better examined than other design patents,” their examination is still lax); *id.* at 68 (“The PTO has no track record of rigorously examining images to determine whether they are novel or obvious.”); James Grimmelmann, *If Our Top Patent Court Screws up Slipper Patents, How Can It Rule Sensibly on Smartphones?*, WASH. POST (Sept. 24, 2013), <https://www.washingtonpost.com/news/the-switch/wp/2013/09/24/if-our-top-patent-court-screws-up-slipper-patents-how-can-it-rule-sensibly-on-smartphones/> [<https://perma.cc/DED6-K9X6>] (“Even a moment’s glance at the Snoozies design patent shows that someone was asleep on the job at the Patent Office when it was issued.”) (referring to Slipper, U.S. Patent No. D598,183 (issued 2009)); and *High Point Design LLC v. Buyer’s Direct, Inc.*, 730 F.3d 1301 (Fed. Cir. 2013)). Some commentators have argued the opposite, suggesting that the U.S. design patent examination system is actually rigorous. *See, e.g.*, Erica Pruetz, Note, *Protecting Car Design Internationally: A Comparison of British and American Design Laws*, 24 LOY. L.A. INT’L & COMP. L. REV. 475, 505 (2002) (“[D]esign patents are very . . . difficult for car designers to obtain

even argued that the USPTO's high allowance rates indicate that the agency has silently "abdicat[ed] . . . its gatekeeper function in the realm of design patents."¹¹

This Article offers an alternate explanation for the high allowance rate for U.S. design patent applications. It argues that the USPTO approves so many design patent applications not because it is shirking its duties, but because it has to.¹² Specifically, this Article argues that the U.S. Court of Appeals for the Federal Circuit has made it nearly impossible for the USPTO to reject any design patent claim—regardless of how ordinary, banal, or functional the claimed design might be.

This Article proceeds in three Parts. Part III provides a brief overview of U.S. design patent law and practice. Part IIII demonstrates how the Federal Circuit's case law on of novelty, nonobviousness, and ornamentality makes it extraordinarily difficult for the USPTO to reject design patent applications on those bases. Part IV explores some lessons that can be drawn from and implications of this analysis.

II. BACKGROUND

Section 171 of the Patent Act provides: "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title."¹³

because design patents are examined by the U.S. Patent Office and often undergo the same rigorous analysis as normal patents. In addition, the U.S. examiner often seeks to invalidate design patents because they are too similar to protected designs.") (citing RICHARD G. GALLAFENT, *INTELLECTUAL PROPERTY LAW AND TAXATION* 31 (1998)). However, these arguments do not accurately reflect the realities of the current design patent examination process. *See* Crouch, *supra* note 6, at 18–19.

11. Crouch, *supra* note 6, at 19 ("The high-allowance rate appears to be primarily triggered by the USPTO's *sub silentio* abdication of its gatekeeper function in the realm of design patents."); *see also id.* at 17 ("Based on the data, I argue that the US design patent examination system is operating as a *de facto* registration system rather than as one based on a true examination."). Crouch does not, however, frame this as a criticism of the system. Instead, he argues the United States should lean into this "*sub silentio* abdication" and "consider switching from a *de facto* design patent registration system to one that is *de jure*." *Id.* at 49.

12. In prior work, Michael Risch acknowledged that design patent "examiners' hands are tied to some extent" by "the obviousness rules for design patents." Risch, *supra* note 10, at 70. In this Article, I argue that the Federal Circuit's § 103 case law binds examiner's hands to more than just "some extent." I also broaden the discussion to include the effects of the Federal Circuit's decisions about the separate requirements of novelty and ornamentality, topics I have touched on but not explored as deeply in prior work. *See* Burstein, *supra* note 2, at 139–40; Burstein, *infra* note 43.

13. 35 U.S.C. § 171(a) (2012).

Those other “conditions and requirements” include novelty and nonobviousness.¹⁴

A design patent gives its owner the right to prevent others from to making, using, selling, offering to sell, or importing the patented design.¹⁵ To prevail on a claim for infringement, the patent owner must prove that “an ordinary observer, taking into account the prior art, would believe the accused design to be the same as the patented design.”¹⁶ If “the claimed and accused designs are ‘sufficiently distinct’ and ‘plainly dissimilar,’ the patentee fails to meet its burden of proving infringement as a matter of law.”¹⁷ If the claimed design and the relevant portion of the accused design are not plainly dissimilar, when considered in a vacuum, the prior art can be used “to identify differences that are not noticeable in the abstract but would be significant to the hypothetical ordinary observer familiar with the prior art.”¹⁸ Thus, the prior art does not have to be considered by the factfinder in every case. The use of the prior art in the design patent infringement analysis is a one-way ratchet—it can be used to narrow the presumptive scope of a claim but cannot be used to broaden it.¹⁹

14. *See id.* §§ 102, 103; *see also* *Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1238 (Fed. Cir. 2009) (“Section 171 requires that the ‘conditions and requirements of this title’ be applied to design patents, thus requiring application of the provisions of sections 102 (anticipation) and 103 (invalidity).”). These requirements will be discussed in more detail below. *See infra* Section III.

15. *See* 35 U.S.C. § 271(a). But “a design patent protects only the claimed design, not the general design concept.” Burstein, *supra* note 2, at 117; *see also* DESIGN LAW TUMBLR, *supra* note 2 (July 2, 2014), <http://design-law.tumblr.com/post/90571053836/does-this-reflector-for-use-in-golf-infringe> [<https://perma.cc/2AAX-23QX>] (discussing an example of “the ‘concept fallacy in design patent litigation—i.e., where the design patent owner (and/or the owner’s counsel) seems to be under the mistaken impression that design patents cover general design concepts instead of specific designs”).

16. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 682 (Fed. Cir. 2008) (en banc); *see generally* Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161, 174 (2015) (noting that “[t]he ordinary observer is a hypothetical person, like the ‘reasonable person’ in tort law”) (citing *Arminak & Assocs., Inc. v. Saint-Gobain Calmar, Inc.*, 501 F.3d 1314, 1321 (Fed. Cir. 2007), *overruled on other grounds by* *Egyptian Goddess*, 543 F.3d at 671). This is the only test for design patent infringement; “there is no separate test for infringement by equivalents.” Burstein, *supra* note 2, at 118.

17. *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1335 (Fed. Cir. 2015) (citing *Goddess*, 543 F.3d at 678).

18. *Id.*

19. *See id.* (rejecting Ethicon’s attempt to do just that); *see also* Sarah Burstein, *The “Article of Manufacture” in 1887*, 32 BERKELEY TECH. L.J. 1, 11 (2017) (“[I]n analyzing infringement, the fact finder must compare the claimed portion of the design—i.e., whatever is shown in solid lines in the patent drawings—to the corresponding portion of the accused design. If the relevant portion looks ‘the same,’ in light of the prior art, the patent is infringed.”).

Like other patents, design patents are granted following substantive examination by the USPTO.²⁰ Once issued, a design patent is presumed valid.²¹ Therefore, a party challenging the validity of a design patent must prove it is invalid “by clear and convincing evidence.”²² The U.S. Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals in design patent cases and from design patent decisions issued by the USPTO.²³

III. FEDERAL CIRCUIT CASE LAW

The three main substantive requirements for design patentability are novelty, nonobviousness, and ornamentality. This case will explain how the Federal Circuit’s case law on these issues makes it difficult, if not impossible, for the PTO to reject design patent applications on these bases.

A. NOVELTY

To be patentable, a design must be novel.²⁴ The familiar utility patent maxim, “[t]hat which infringes, if later, would anticipate, if earlier,” also applies to design patents.²⁵ Therefore, the same test is used for infringement and anticipation.²⁶ As noted above, a design patent is infringed when “an ordinary observer, taking into account the prior art, would believe the accused design to be the same as the patented design.”²⁷ Thus, a design patent is anticipated when an ordinary observer, familiar with the prior art, would believe that the claimed design is the same as the prior art design.²⁸ In other words, “[d]esign patent anticipation requires a showing that a single prior art reference is

20. See 35 U.S.C. § 131 (2012). Unlike the patent attorneys and agents who prosecute design patents, design patent examiners are required to have a background in art or design. See Sarah Burstein, *Design Patent Myths—On examiners and expertise*, FACULTY LOUNGE (Oct. 30, 2013), <http://www.thefacultylounge.org/2013/10/design-patent-examiners.html> [<https://perma.cc/C6ZL-L83V>] (reproducing a list of design patent qualifications from a recent USPTO job posting).

21. See *Ethicon*, 796 F.3d at 1328 (“Design patents enjoy the same presumption of validity as utility patents under 35 U.S.C. § 282.”) (citing *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993); 35 U.S.C. § 171).

22. *Id.*

23. 28 U.S.C. §§ 1295(a)(1), (a)(4) (2012).

24. 35 U.S.C. § 102.

25. *Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239 (Fed. Cir. 2009) (quoting *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889)).

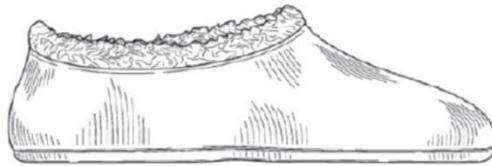
26. *See id.*

27. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 682 (Fed. Cir. 2008) (en banc); *see supra* Part II.

28. *See Int’l Seaway*, 589 F.3d at 1241 (holding that the *Egyptian Goddess* “ordinary observer” test is the test for design patent anticipation); *see also Egyptian Goddess*, 543 F.3d at 682.

‘identical in all material respects’ to the claimed invention.”²⁹ Like infringement, “[a]nticipation is a question of fact.”³⁰

The Federal Circuit’s recent decision in *High Point v. BDI* illustrates how close a reference must be to anticipate a claimed design under § 102. In that case, the accused infringer argued that this patented design below was anticipated by these two prior art references.³¹



**D'183 patent,
Figure 5**



**Laurel Hill
Prior Art**



**Penta
Prior Art**

The district judge agreed and granted summary judgment of invalidity:

[T]he district court first determined that the Laurel Hill anticipated because it also had “a structured body, a soft-looking fluff surrounding the opening of the slipper, and a sole that appears durable and fairly thick.” The district court then found that the Penta also anticipated, concluding that the Penta was even more similar to the D’183 patent than the Laurel Hill. The court found that the Penta

29. *High Point Design LLC v. Buyer’s Direct, Inc.*, 621 F. App’x 632, 638 (Fed. Cir. 2015) (quoting *Door-Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1312 (Fed. Cir. 2001) (quotation marks omitted)).

30. *Id.* at 637 (citing *Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1237 (Fed. Cir. 2009)).

31. *See id.*

“conveys the visual effect of a slipper, the body and sole of which have some defined shape and solidity but which has a protrusion of fluff or fuzz emanating from the foot opening.” Although the district court noted that a close study of the patented and prior art designs revealed differences, those differences were “minor” and insufficient to defeat anticipation.³²

The Federal Circuit reversed, concluding that “the district court fundamentally erred in its analysis by analyzing the designs from ‘too high a level of abstraction’ and failing to focus ‘on the distinctive visual appearances of the reference and the claimed design.’”³³ The Federal Circuit found “meaningful differences between the curvatures of the slipper body designs,” “clear differences between the protruding fuzz of the claimed and prior art designs.”³⁴

In light of the narrow scope given to design patents in the infringement context, the Federal Circuit was correct in concluding neither the Penta nor the Laurel looked “the same” as the claimed design. If they had come later, neither the Penta nor the Laurel would have been deemed to infringe the claimed design. And that is a good thing—design patents should be given a narrow scope because even objectively “small” changes can have a big effect on the *gestalt* of the design as a whole. Consider, for example, how every faucet company seems to have its own version of a blocky, “modern” design. In any case, long as the infringement-anticipation symmetry is maintained and as long as courts (quite rightly) keep giving design patents a narrow scope, it will be very difficult for the USPTO to deny any design patent claims as anticipated.³⁵

32. *Id.* (internal citations omitted). In a prior decision in the same case, the district judge “found that the Penta ‘looks indistinguishable from the drawing shown in the ’183 Patent,’ and that the Laurel Hill, ‘while having certain differences with the Penta slipper that are insubstantial and might be referred to as streamlining, nonetheless has the precise look that an ordinary observer would think of as a physical embodiment of the drawings shown on the ’183 Patent.’” *High Point Design LLC v. Buyer’s Direct, Inc.*, 730 F.3d 1301, 1309 (Fed. Cir. 2013) (quoting *High Point Design LLC v. Buyer’s Direct, Inc.*, No. 1:11-cv-04530, 2012 WL 1820565, at *2 (S.D.N.Y. May 15, 2012)).

33. *High Point Design*, 621 F. App’x at 644 (quoting *High Point Design*, 730 F.3d at 1314).

34. *Id.* at 639.

35. Mueller and Brean have argued for an even more stringent anticipation standard, arguing that a design should only deem to be anticipated “only in instances where the design had been *exactly* disclosed in the prior art. Examples of such instances include prior publications, public uses, or sales of the identical, now-claimed design.” Janice M. Mueller & Daniel Harris Brean, *Overcoming the “Impossible Issue” of Nonobviousness in Design Patents*, 99 KY. L.J. 419, 543 (2011). That, of course, would make it even harder for the USPTO to reject design applications.

B. NONOBVIOUSNESS

In addition to being novel, a patentable design must not be obvious.³⁶ Under Federal Circuit case law, “the ultimate inquiry under section 103 is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved.”³⁷ To this end, the Federal Circuit has created a two-part test.³⁸ First, the court must identify a primary reference—“a something in existence, the design characteristics of which are basically the same as the claimed design.”³⁹ If there is a proper primary reference, then “other ‘secondary’ references may be used to modify it to create a design that has the same overall visual appearance as the claimed design.”⁴⁰ To qualify as a proper secondary reference, a design must be “so related [to the primary reference] that the appearance of certain ornamental features in one would suggest the application of those features to the other.”⁴¹ This “so related” language has a long pedigree but its meaning has never been particularly clear.⁴² In recent years, however, it has become rare for courts to even reach step two because the Federal Circuit has required such a high degree of similarity at step one.⁴³

36. 35 U.S.C. § 103 (2012).

37. *MRC Innovations, Inc. v. Hunter Mfg.*, 747 F.3d 1326, 1331 (Fed. Cir. 2014) (quoting *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1380–81 (Fed. Cir. 2009)) (internal quotation marks omitted).

38. For more on this test, see generally Sarah Burstein, *Visual Invention*, 16 LEWIS & CLARK L. REV. 169 (2012).

39. *MRC Innovations*, 747 F.3d at 1331. This requirement can be traced back to the CCPA’s 1982 decision in *In re Rosen*. See 673 F.2d 388, 391 (C.C.P.A. 1982). Therefore, the primary reference is sometimes referred to as a “*Rosen* reference.” See, e.g., *Campbell Soup Co. v. Gamon Plus Inc.*, 2018 WL 1582295, at *2 (PTAB Mar. 27, 2018).

40. *MRC Innovations*, 747 F.3d at 1331. Secondary considerations of nonobviousness may also be used if the patent owner can “demonstrate a nexus between the claimed design and the secondary considerations.” *Id.* at 1336.

41. *Id.* at 1331.

42. See Burstein, *supra* note 38, at 183–91. One commentator recently called the “so related” standard “eerily similar to the TSM standard that the Supreme Court rejected in *KSR*.” Scott D. Locke, *Design Patent Litigation: Is “Obvious to Try” Unavailable for Validity Challenges Under 35 U.S.C. § 103?*, 16 J. MARSHALL REV. INTELL. PROP. L. 173, 184 (2017).

43. See Sarah Burstein, *Moving Beyond the Standard Criticisms of Design Patents*, 17 STAN. TECH. L. REV. 305, 326 (2013) [hereinafter Burstein, *Standard Criticisms*] (“[U]nder the current law, the bar for invalidating a design patent under § 103 is quite high. If the Federal Circuit continues to require such a high degree of similarity between claimed designs and primary references, § 103 will bar few—if any—designs from patentability.”); see also generally Locke, *supra* note 42, at 181 (“For the USPTO and challengers to the validity of a design patent, the ‘basically the same test’ presents a high hurdle.”); Maureen Long, *The Nonobviousness Requirement for Design Patent: What Is the Standard and Why Shouldn’t It Obviously Be Modified After KSR?*, 45 AIPLA Q. J. 193, 213 (2017) (“The Federal Circuit adopted the *Rosen* Reference standard as step one in the design patent nonobviousness analysis and has continued to use it as a barricade

In theory, there should be some blue sky between a design that is “basically the same” as a claimed design (and thus qualifies as a proper primary reference) and a design that is “the same” as a claimed design (and thus anticipates that design).⁴⁴ But in practice, it’s difficult to see much difference in how these standards are applied.⁴⁵ As long as the Federal Circuit keeps requiring such a high degree of visual similarity for primary references, it will be difficult for the USPTO to reject design patent claims as obvious.

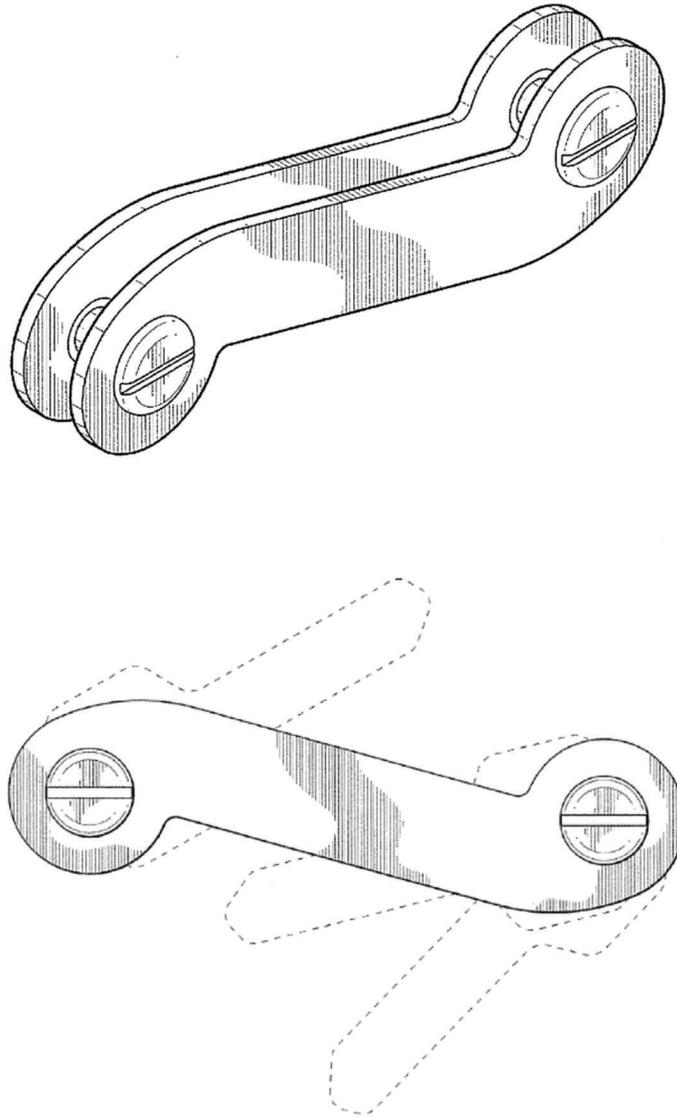
The PTAB’s recent decision denying institution of post-grant review in *Key-Bar, LLC v. Curv Brands, LLC*, illustrates how difficult it is to invalidate a design claim as obvious. In *Key-Bar*, the challenged patent claimed a design for a “Pocket Key Organizer”:⁴⁶

to continuing the analysis.”). After a period of some doubt, *MRC v. Hunter* proved that it is still possible for the Federal Circuit to bless a primary reference. See Sarah Burstein, *Design Patent Nonobviousness Jurisprudence-Going to the Dogs?*, PATENTLY-O (Apr. 3, 2014), <http://patentlyo.com/patent/2014/04/design-nonobviousness-jurisprudence.html> [<https://perma.cc/APM4-B36T>] (“For a while there, it looked like it was becoming practically impossible to invalidate any design patents under § 103. Now we at least know that it’s still possible.” (discussing *MRC Innovations*, 747 F.3d)). However, from listening to the oral arguments, one also gets the distinct impression that the judges—or at least former Chief Judge Rader—thought making sports jerseys for dogs just wasn’t that creative. See generally Oral Argument, *MRC Innovations, Inc. v. Hunter Mfg., LLP*, 747 F.3d 1326, No. 2013-1433, <http://oralarguments.cafc.uscourts.gov/default.aspx?f=2013-1433.mp3> [<https://perma.cc/V4N5-QE42>].

44. See Burstein, *Standard Criticisms*, *supra* note 43, at 325 n.115 (“It has never been precisely clear how similar a reference must be to be deemed to be ‘basically the same’ as the claimed design—i.e., how similar it must be do [sic] be deemed a proper primary reference. But it is clear that ‘basically the same’ must be different—and, specifically, less similar—than ‘substantially the same.’ If a prior design is ‘substantially the same’ as a claimed design, the claimed design will be anticipated.”).

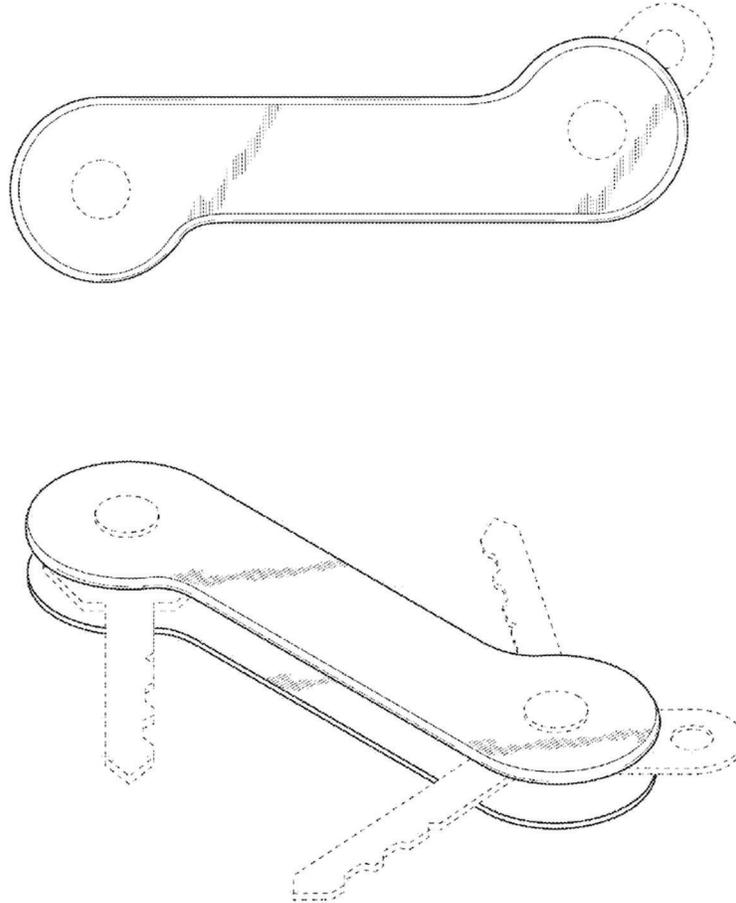
45. See, e.g., Burstein, *supra* note 38, at 202 (discussing Vanguard Identification Sys., Inc. v. Kappos (Vanguard III), 407 F. App’x 479, 480 (Fed. Cir. 2011) (per curiam)); Burstein, *Standard Criticisms*, *supra* note 43, at 325 (discussing Apple, Inc. v. Samsung Elecs. Co., 678 F.3d 1314, 1330 (Fed. Cir. 2012)).

46. *Key-Bar, LLC v. Curv Brands, LLC*, 2017 WL 1096586, at *1 (Mar. 22, 2017) (denying post-grant review); U.S. Patent No. D754,427 figs.1, 12. The portions shown in dotted lines “form no part of the claimed design.” U.S. Patent No. D754,427 (description of the drawings); see also U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1503-02(III) (9th ed. 7th rev., Nov. 2015) [hereinafter MPEP] (discussing when and how an applicant can use broken lines in a design patent drawing).



The challenger argued that the design was obvious and that an earlier design patent, Taylor, was a proper primary reference:⁴⁷

47. See Key-Bar, 2017 WL 1096586, at *3 (discussing U.S. Patent No. 728,922); U.S. Patent No. 728,922 figs.2, 8.



The Board did not agree. It concluded “that Taylor’s overall design differs from that of the claimed design” but avoided ruling on whether Taylor actually qualified as a proper primary reference.⁴⁸ According to the Board, “[E]ven assuming it does, we are not persuaded that the modifications proposed by Petitioner would result in “the same overall visual appearance as the claimed design.”⁴⁹ The Board explained:

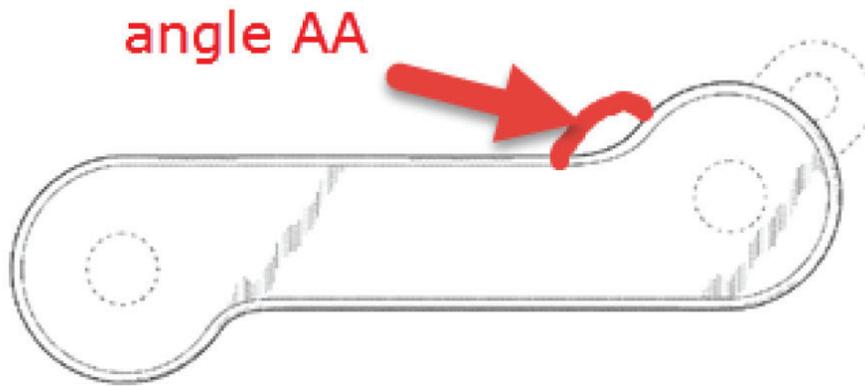
Petitioner simply states that “the 18° difference in angle size between the ‘427 patent design and that of Taylor has no real effect.” Petitioner, however, does not address Taylor’s lack of a transition

48. *Id.* at *4 (Mar. 22, 2017).

49. *Id.* (quoting *High Point Design, LLC v. Buyers Direct, Inc.*, 730 F.3d 1301, 1311 (Fed. Cir. 2013)).

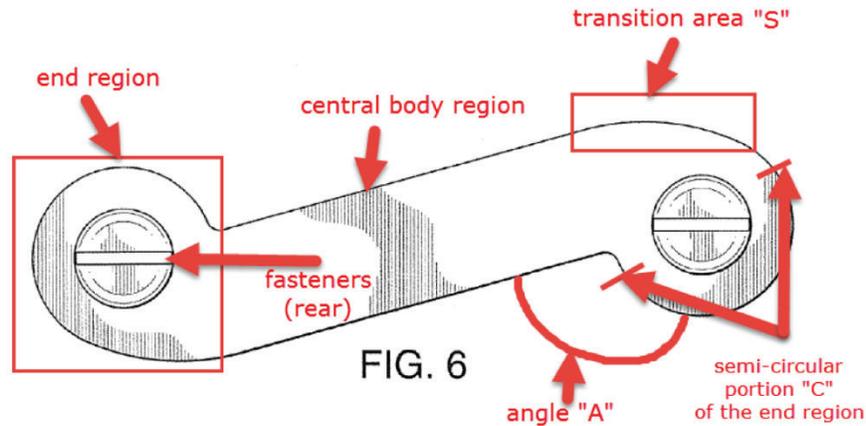
area S. Nor does Petitioner address how or why a designer of ordinary skill would modify Taylor's gradual angle AA to result in the claimed design's sharp angle A. It is unclear, for example, if Petitioner is proposing that an ordinary designer would bend the side of the end regions opposite angle AA, thereby creating a transition area to change angle AA, or would an ordinary designer change the shape of the end region, itself to accomplish the same result. Further, Petitioner also does not address why an ordinary designer would modify Taylor's fasteners, which are shown as small circles in the end regions, with no detail, by creating the larger fasteners of the claimed design, which have an elongated slot on the rear and a small inner circle on the front.⁵⁰

Here are the illustrations the Board used to identify the aforementioned "angle AA" and "area S":⁵¹



50. *Id.* (internal citation omitted).

51. *Id.* at *2-3.



As long as the Federal Circuit keeps applying such stringent and rigid standards, it will remain difficult for the USPTO to reject design patent applications under § 103—no matter how obvious the claimed designs might seem to be.

C. ORNAMENTALITY

A patentable design must also be “ornamental.”⁵² The Federal Circuit will deem a design to be “ornamental” unless: (1) it is not a “matter of concern;” or (2) it is “dictated by function.”⁵³ The Federal Circuit appears to assume that a design is “a matter of concern” unless it is “concealed in its normal and intended use.”⁵⁴ The court has taken a cradle-to-grave view of such use, ruling that “the ‘normal and intended use’ of an article . . . begin[s] after completion of manufacture or assembly and end[s] with the ultimate destruction, loss, or disappearance of the article.”⁵⁵ For example, in *In re Webb*, the court ruled that because a particular model of hip implant was seen by doctors prior to implantation and advertised using pictures, the Board could not assume that a design patent claim for the configuration of that implant was invalid for lack of ornamentality.⁵⁶ Therefore, today, it is very difficult for the USPTO to reject a design patent claim on the basis that it is not a “matter of concern.”⁵⁷

52. 35 U.S.C. § 171(a) (2012).

53. Sarah Burstein, *Commentary: Faux Amis in Design Law*, 105 TRADEMARK REP. 1455, 1457 (2015).

54. *In re Webb*, 916 F.2d 1553, 1557 (Fed. Cir. 1990).

55. *Id.* at 1557–58.

56. *See id.* at 1557–58.

57. Indeed, the USPTO regularly grants design patents for implants and other things that are not visible except when they are installed, repaired, etc. *See, e.g.*, DESIGN LAW TUMBLR, *supra* note 2, <http://design-law.tumblr.com/search/implants> [<https://perma.cc/7LZH-J24N>]

As to functionality, the Federal Circuit has ruled “that the overall appearance of the article—the claimed design viewed in its entirety—is the basis of the relevant inquiry, not the functionality of elements of the claimed design viewed in isolation.”⁵⁸ Therefore, the USPTO cannot reject a design (and a court cannot invalidate a patented design) based on a dissection of its parts. The Federal Circuit has also announced a “general rule that a design is ‘ornamental’ for purposes of 35 U.S.C. § 171 when it is not primarily functional.”⁵⁹ In other words, a patentable design must not be “dictated by the function performed by the article of manufacture.”⁶⁰ In determining whether a design is dictated by its function, it has long been clear that “the availability of alternative designs as an important—if not dispositive—factor in evaluating the legal functionality of a claimed design.”⁶¹ In this context, “to be considered an alternative, the alternative design must simply provide ‘the same or similar functional capabilities.’”⁶² So, if there are alternatives, the Federal Circuit will not deem the design to be unpatentable (or invalid) as functional.⁶³

(collecting just a few examples of design patents for implants).

58. *Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 796 F.3d 1312, 1329 (Fed. Cir. 2015).

59. *Best Lock Corp. v. Ilco Uican Corp.*, 94 F.3d 1563, 1567 (Fed. Cir. 1996).

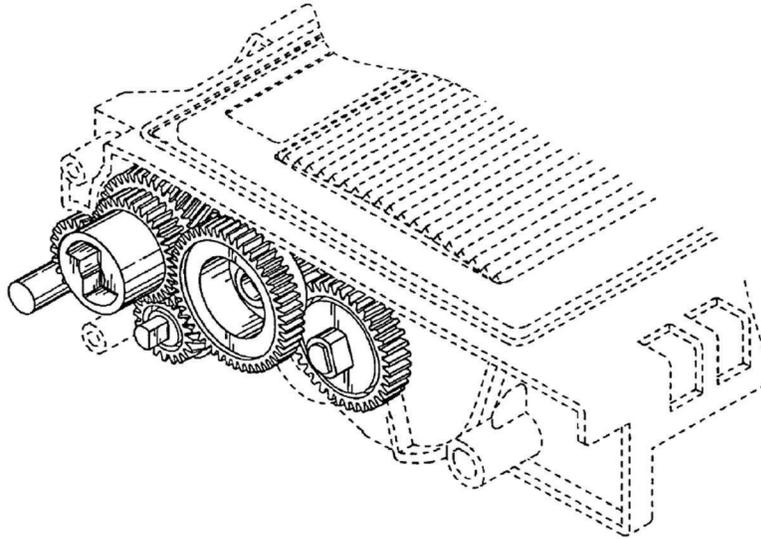
60. *Id.* (citing *Power Controls Corp. v. Hybrinetics, Inc.*, 806 F.2d 234, 238, 231 USPQ 774, 777 (Fed. Cir. 1986)); *see also* *Ethicon*, 796 F.3d at 1328 (“We have found designs to be essential to the use of an article when the claimed design is ‘dictated by’ the use or purpose of the article. . . . Design patents on such primarily functional rather than ornamental designs are invalid.”).

61. *Ethicon*, 796 F.3d at 1329–30. *See Best Lock*, 94 F.3d at 1566 (“A design is not dictated solely by its function when alternative designs for the article of manufacture are available.”). In *Ethicon*, in an apparent attempt to reconcile some past decisions, the court suggested that there may be some instances “where the existence of alternative designs is not dispositive of the invalidity inquiry” and that, in such cases, a court “may” consider the factors announced in *Berry Sterling Corp. v. Pescor Plastics, Inc.* *Ethicon*, 796 F.3d at 1330; *see also* *Burstein*, *supra* note 53, at 1456 n.13 (“There are a few Federal Circuit cases that state that functionality should be decided using a multi-factor approach wherein the availability of alternatives is merely one factor, following *dicta* from *Berry Sterling Corp. v. Pescor Plastics, Inc.*”) (referring to 122 F.3d 1452, 1456 (Fed. Cir. 1997)) (citing *PHG Techs., LLC v. St. John Cos., Inc.*, 469 F.3d 1361, 1366–67 (Fed. Cir. 2006)). But the court did not explain where or how the existence of alternative designs would *not* be dispositive, especially in light of the rest of its analysis. *See id.* For example, the court concluded that *Covidien* had “not met its burden of showing that the Design Patents are invalid as functional” because it had “not shown by clear and convincing evidence that no designs other than those claimed in the Design Patents allow the underlying ultrasonic shears to perform their intended function.” *Id.* at 1332. It’s difficult to see any role for the *Berry* factors when the issue is framed in that way. In any case, the court ultimately re-affirmed the primacy of alternative designs in the functionality analysis. *See id.* at 1330.

62. *Ethicon*, 796 F.3d at 1331 (Fed. Cir. 2015) (quoting *Rosco, Inc. v. Mirror Lite Co.*, 304 F.3d 1373, 1378 (Fed. Cir. 2002)).

63. *See generally* *Burstein*, *supra* note 53, 1457 (2015) (“[I]n design patent law, ‘functional’ essentially means ‘the only configuration that is fit for a particular purpose.’”).

For example, in *Ex Parte Ishii*, the Board of Patent Appeals and Interferences considered this claimed design for a toner cartridge:⁶⁴



The examiner rejected the claim as not ornamental because “each element of the claimed design has been positioned and shaped in order to fit within the functional constraints of causing elements of the toner cartridge to work in conjunction with one another and with the machine to which it is connected.”⁶⁵ The Board reversed, stating:

We will not sustain the Examiner’s rejection because the claimed design of the toner cartridge as a whole is not dictated by function alone. The design of the toner cartridge could be changed, for instance, by making a gear cylinder hollow or not hollow or by changing the shape of projections or recesses on a gear cylinder and not affect the function of the toner cartridge. Therefore, the design is not dictated by function alone. . . . In this case, as the design of the gear cylinders could be changed without affecting the functionality of the gear cylinders, we hold that the design of the gears is not dictated by function alone.⁶⁶

64. See *Ex Parte Makoto Ishii*, No. 2008-2254, 2008 WL 6678012, at *3 (Nov. 26, B.P.A.I. 2008) (involving U.S. Patent Application No. 29/222,088); Toner Cartridge, U.S. Patent No. D590,992 fig.7 (issued Apr. 21, 2009 from U.S. Patent Application No. 29/222,088).

65. *Id.* at *1.

66. *Id.* at *2.

Thus, because there were alternative designs available for the gear arrangement, considered as a whole, the design was deemed to be “ornamental.”

Because there are almost always alternatives, Federal Circuit case law makes it incredibly difficult—if not practically impossible—for the USPTO to reject any designs for a lack of ornamentality.⁶⁷

IV. LESSONS & IMPLICATIONS

As this essay has demonstrated, current Federal Circuit law makes it nearly impossible for the USPTO to reject most design patent claims—no matter how banal, trivial, or uncreative. This, not some “*sub silentio* abdication of its gatekeeper function,” would seem to be the most likely explanation for the USPTO’s high design patent allowance rate.⁶⁸ So we shouldn’t blame the USPTO for (all) bad design patents.⁶⁹

This analysis also suggests that supplying examiners with more prior art won’t—in and of itself—significantly improve design patent quality. Janice Mueller and Daniel Brean have suggested that one main reason for “the very low incidence of USPTO rejections in design patent applications . . . for obviousness” is “the examiners’ inability to consistently access the most pertinent prior art designs.”⁷⁰ They argue that if examiners had access to “more and better design prior art,” that would “improve the quality of design patent examination.”⁷¹ Specifically, they recommend that: (1) the USPTO invest in “[m]ore comprehensive and sophisticated databases with advanced image-based search functionality;” (2) examiners make more frequent requests for information under 37 C.F.R. § 1.105 in order to request “information about any particularly relevant commercial databases, copies of non-patent literature authored by the design applicant, information the applicant knows about related art, and any other known factual information pertinent to

67. See generally DESIGN LAW TUMBLR, *supra* note 2 (collecting examples).

68. But see Crouch, *supra* note 6, at 19 (“The high-allowance rate appears to be primarily triggered by the USPTO’s *sub silentio* abdication of its gatekeeper function in the realm of design patents.”).

69. Of course, where problems have arisen from its own policies and interpretations, the blame can be laid squarely at the feet of the USPTO. See, e.g., Burstein, *supra* note 18, at 14 (discussing the USPTO’s rules regarding graphical user interface (GUI) design patents).

70. See Mueller & Brean, *supra* note 35, at 549. Mueller and Brean also suggest that “[e]xaminers may understandably hesitate to make inherently subjective determinations about the extent of a claimed design’s advance over prior art designs.” *Id.*

71. *Id.* at 433; see also *id.* at 549 (“[W]e recommend three ways in which the USPTO could enhance its access to pertinent design prior art. Implementing these measures would facilitate more meaningful patent examination and generate a more robust jurisprudence on the difficult issue of design patent nonobviousness.”).

patentability;” and (3) Congress amend the Patent Act to provide for the publication of design patent applications “immediately upon . . . filing” so that third parties could submit potentially relevant art for the examiner’s consideration.⁷²

While it certainly makes sense to take steps to make sure that design patent examiners have access to the most and best prior art possible,⁷³ the legal rules discussed above make it unlikely that doing so would actually have a significant effect on the design patent allowance rate.⁷⁴ Getting more art in front of the examiners is, however, still a good idea. If more and better prior art is cited in design patents, that may help accused infringers get a better idea of the actual scope of any asserted design patents. As discussed above, the prior art can be used to narrow a design patent claim’s presumptive scope. If there is a large body of close prior art for a particular design, that should be reflected in the patent document itself to save competitors from (at least some of) the burden of doing costly prior art searches of their own.

For similar reasons, publishing design patent applications is unlikely to garner much, if any, patent-seeking third-party prior art submissions. But it would also be advisable for other reasons. Publishing design patent applications would provide better public notice about how the USPTO is handling design patent applications and how often applications are being actually rejected, as opposed to abandoned. This would provide valuable information for both applicants and academics.

This analysis further suggests that the Federal Circuit should reconsider its tests for ornamentality and nonobviousness. As discussed above, having a high novelty bar makes sense in light of the (appropriately) narrow scope of design

72. *See id.* at 549–52. Gary Griswold has also called for the publication of design patent applications in order to improve design patent examination. *See* Gary L. Griswold, *Publishing Design Patent Applications: Time to Act*, PATENTLY-O (May 8, 2015), <https://patentlyo.com/patent/2015/05/publishing-design-patent-applications.html> [<https://perma.cc/5PME-FB7L>].

73. *See* Burstein, *supra* note 2, at 157 (suggesting that USPTO fee increases “could also help strengthen the . . . substantive screen by raising funds to purchase, develop or commission the development of better image-search technology for design patent examiners.”); *see also id.* at 139 (“[A]s discussed above, it is particularly difficult to locate and search for design patent prior art. However, the PTO appears to have done little to address this problem. The PTO could, for example, invest in better image search technology. It could also use a different system for coding and classifying designs, akin to how it classifies design trademarks.”).

74. *See supra* Section III; *see also* Burstein, *supra* note 2, at 139 (noting that “even if the PTO got better at finding prior art, the second problem would remain—Federal Circuit case law”).

patents. But the Federal Circuit's interpretation of the statutory requirement of ornamentality and its test for nonobviousness are ripe for reconsideration.⁷⁵

Finally, in light of the USPTO's very high allowance rate, some might be tempted to conclude that design patent examination doesn't work and, perhaps, should be abolished. But, if the real problem is not the examination model but the controlling Federal Circuit case law, then we shouldn't give up on the examination model quite yet.⁷⁶

75. For more detailed analysis and suggestions on the issue of nonobviousness, *see* Burstein, *supra* note 38, at 172–76.

76. Indeed, the cost of the U.S. design patent application process has significant benefits separate and apart from any substantive screening function. *See* Burstein, *supra* note 2, at 109.

COPYRIGHT RULEMAKING: PAST AS PROLOGUE

Joseph P. Liu[†]

ABSTRACT

In deciding what rulemaking authority the Copyright Office should have, it may be helpful to take a close and careful look at how the Office has historically exercised its rulemaking powers. This article undertakes this task and makes a number of observations: (1) the Office's rulemaking activity increased dramatically after passage of the 1976 Act; (2) the rules issued fall into a number of identifiable categories; (3) by far the largest category consists of rules administering statutory licenses set forth in the Act; and (4) the smallest category consists of precisely the kinds of substantive rules that some commentators propose the Copyright Office issue in the future. While Congress may, of course, change the balance of copyright regulation in the future, this Article argues that any future delegations of substantive rulemaking authority must take into account the fact that the Office's regulatory efforts to date have largely involved a very particular and unique kind of rulemaking, one that focuses on administering legislative compromises between large industries rather than on furthering specific copyright policies. Care must be taken to ensure that this unusual regulatory perspective does not unduly influence or affect future substantive rulemaking.

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[†] Professor of Law, Boston College Law School. Thanks to the conference participants, my co-panelists, and Professor Pamela Samuelson for their helpful comments and suggestions.

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I. INTRODUCTION

It is probably fair to say that copyright rulemaking has not until recently been a subject of sustained or intense scholarly interest. Few, if any, copyright courses or casebooks spend any real time going through the regulations promulgated by the Copyright Office and the Librarian of Congress (which are found, for those who are wondering, at 37 C.F.R. §§ 200 and 300). Few scholarly articles take copyright rulemaking as their primary focus of study or analysis. Ask most copyright scholars or practitioners what their favorite copyright regulation is, and you are likely to draw a blank stare.

To some extent it is easy to see why. The substantive law of copyright is found almost exclusively in the text of the Copyright Act and in the many federal judicial opinions interpreting and building upon that text. By contrast, very little substantive copyright law is found in the regulations. Unlike some other areas of federal law, Congress has not generally delegated to the Copyright Office the authority to promulgate substantive rules.¹ Instead, copyright regulations largely consist of technical or procedural rules surrounding registration, notice, deposit, and the administration of various complex industry-specific statutory licenses. Unless you happen to engage in one of these activities, you might never need to refer to copyright regulations at all.

Yet this relative lack of interest in copyright rulemaking is changing. As the Copyright Act has grown more complex, more attention has been paid to the relative lack of substantive regulatory authority in this area, at least as compared to other areas of federal law. Commentators have begun to ask whether, as in other areas of federal law, granting greater substantive

1. In some cases, Congress has delegated rulemaking authority directly to the Copyright Office (typically subject to approval by the Librarian of Congress). In other cases, it has delegated the authority directly to the Librarian (subject to advice from the Copyright Office). Since in either case, the Copyright Office appears to be the primary locus of initial rulemaking competence (and to avoid unnecessary repetition), I will refer in this Article generally to rulemaking by the Copyright Office in both instances.

rulemaking authority to the Copyright Office might be warranted as a way of dealing with increased complexity and the dynamic nature of copyright and technology markets.² A number of commenters have proposed specific delegations of such authority, for example the authority to craft specific fair use exemptions or safe harbors.³ As movement builds towards a possible comprehensive redrafting of the Copyright Act, interest in this form of copyright lawmaking has increased.⁴

In light of these developments, it may be helpful to take a closer look at the history and current state of copyright rulemaking. How has the Copyright Office historically exercised its regulatory authority? What do current copyright regulations look like? And what, if anything, does this tell us about the potential for future delegations of rulemaking authority? Although past experience need not dictate or limit what is possible in the future, since Congress can always decide to alter the scope of existing rulemaking authority, past rulemakings may highlight both risks and opportunities as we consider venturing into a brave new world of copyright rulemaking.

II. RULEMAKING PAST AND PRESENT

Prior to the enactment of the Copyright Act of 1976 (the 1976 Act), copyright regulations were rather scant. Indeed, the Copyright Office itself was not created until 1897 as a separate federal department within the Library of Congress. Before 1897, specifically from 1870–1896, the Library of Congress itself administered the copyright registration system, and, before then, from 1790–1869, copyrights were recorded in the U.S. District Courts. Throughout this period (essentially the first century of copyright law in the U.S.), the primary and almost exclusive administrative function in copyright involved registration and recordation of copyrights.

This focus on registration is reflected in the very first sets of copyright regulations promulgated by the Copyright Office. The Copyright Act of 1909 (the 1909 Act) expressly delegated to the Copyright Office the power, subject

2. See, e.g., Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87, 148 (2004).

3. See *id.*; Jason Mazzone, *Administering Fair Use*, 51 WM. & MARY L. REV. 395, 398–99 (2009); cf. Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087, 1090 (2007) (proposing fair use no-action letters).

4. Note that there are tricky and complex questions about whether the Copyright Office is constitutional or can constitutionally exercise such rulemaking authority. See, e.g., Andy Gass, *Considering Copyright Rulemaking: The Constitutional Question*, 27 BERKELEY TECH. L.J. 1047 (2012). Similarly, there are very interesting questions about whether the Copyright Office should ideally be placed under a different agency or be a freestanding agency. These questions are beyond the scope of this Article.

to approval by the Librarian of Congress, “to make rules and regulations for the registration of claims to copyright as provided by the Act.”⁵ The earliest codified version of those regulations appears in the very first version of the Code of Federal Regulations in 1938. Comprising 30 sections and approximately 6,500 words in total, the regulations focused almost exclusively on the procedures for registering copyrights.⁶ The size, scope, and nature of copyright regulations remained quite stable over the next 40 years until passage of the 1976 Act. Indeed, the 1977 version of the regulations, published shortly before the effective date of the 1976 Act, similarly focused almost exclusively on registration and weighed in at approximately 8,500 words.

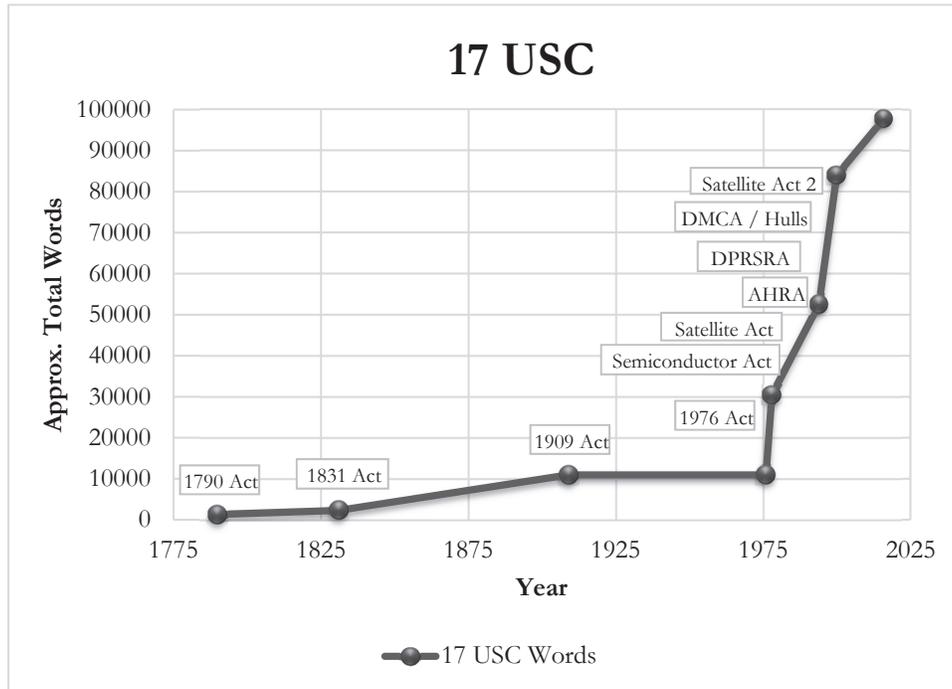
The relatively modest size and scope of copyright regulations radically changed after passage of the 1976 Act. Before describing this change, it is important to note that the 1976 Act itself represented a significant departure from the relatively more modest 1909 Act, in terms of size, scope, and complexity. Prior to passage of the 1976 Act, the Copyright Act weighed in at approximately 11,000 words. After the effective date of the Act, the Copyright Act nearly tripled in size, weighing in at approximately 30,000 words. Earlier work has analyzed this dramatic change in the statute and sought to explain the implications that flow from it.⁷

5. Pub. L. No. 60-349, § 53, 35 Stat. 1075, 1085 (repealed 1976).

6. A small portion of the regulations, Part 2, contained proclamations of copyright relations, dealing with copyright claims of authors from various foreign countries.

7. See Liu, *supra* note 2, at 129–66; David Nimmer, *Codifying Copyright Comprehensibly*, 51 UCLA L. REV. 1233, 1320 (2004). To a large (though not exclusive) extent, the increase was driven by complicated provisions dealing with statutory licenses for cable, satellite TV, and digital public performances of sound recordings.

Figure 1
Historical Development of the 17 U.S.C. Word Count⁸



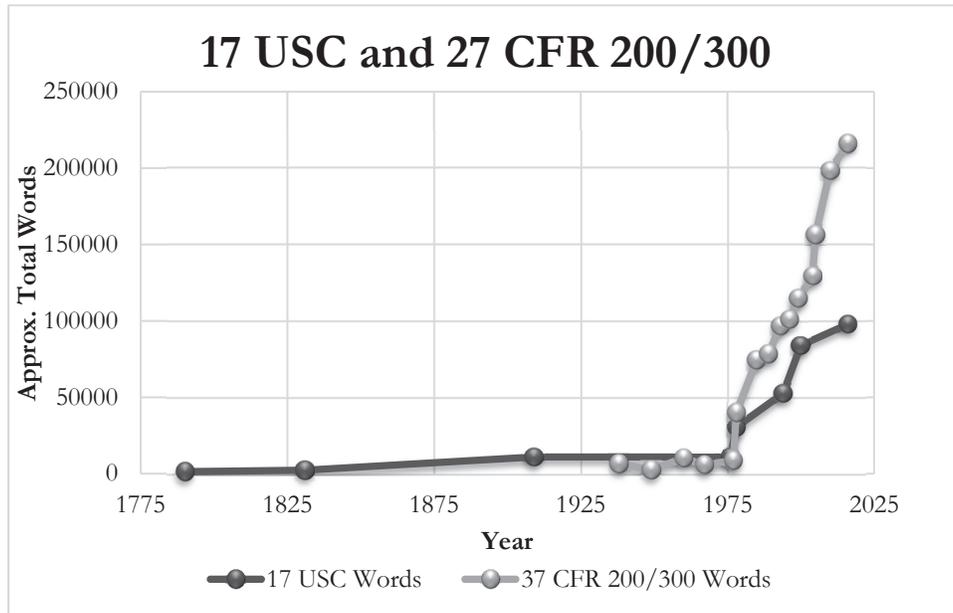
Less recognized was a parallel, and even more dramatic, increase in the size and scope of copyright regulations. Immediately after passage of the 1976 Act, copyright regulations increased in size from approximately 8,500 words in 1977 to nearly 40,000 words in 1978, essentially quadrupling in size and exceeding the size of the 1976 Act itself. Thus, by 1978, copyright regulations were more extensive, at least in terms of raw size, than the Copyright Act itself. The size gap between copyright statutes and copyright regulations has only increased since passage of the 1976 Act. While the size of the Copyright Act has increased dramatically since 1978, essentially tripling in size (to nearly 100,000 words today), the size of copyright regulations has increased even more dramatically, weighing in at more than 200,000 words today.

Thus, despite the relative lack of attention paid to copyright rulemaking, the sum of that rulemaking dwarfs the size of the underlying statute. There is

8. Approximate word counts for the Copyright Act were derived by importing the text of the Copyright Act at various points in time into Microsoft Word, deleting any words that were not part of the Act itself, and using the word count tool to calculate the total number of words. Sources of statutory text include the following: 1790 Act; 1831 Act (4 Stat. 436); 1909 Act (35 Stat. 1075); Title 17 as of 1976, 1994, 2000 (Heinonline.org); Title 17 as of 1978 (90 Stat. 2541); Title 17 as of 2016 (Westlaw.com).

far more copyright “law” (defined in terms of raw word count) in the regulations than in the Copyright Act itself.

Figure 2
17 U.S.C. and 37 C.F.R. §§ 200 and 300 Word Count Development⁹



Of course, bare word counts tell us very little about the nature, importance, or significance of the Copyright Office’s regulatory output. We know that there are a lot of copyright regulations, but what do these regulations consist of? While acknowledging that categorizations are somewhat arbitrary, copyright regulations can broadly be broken down into five different categories:

Administrative/ministerial regulations. These regulations deal with basic agency procedures, such as how to contact the agency, how to serve legal process, how to handle Freedom of Information Act requests, privacy policies, etc.

9. Approximate word counts for Copyright regulations were derived by importing the text of 37 C.F.R. §§ 200 and 300 at various points in time into Microsoft Word, deleting any words that were not part of the regulations, and using the word count tool to calculate the total number of words. Sources of text for the C.F.R. at various points in time were taken from Heinonline.org, which provides full text versions of the C.F.R. at various points in time beginning in 1938.

These are regulations that are not unique to the copyright system, but rather arise from the basic functions of an agency.¹⁰

Registration, deposit, notice regulations. These regulations deal with the historic functions of the Copyright Office, e.g., the process and fees for applying for registration, deposit requirements, form and placement of copyright notice, etc. This category made up most of the pre-1976 Act regulations.¹¹

Specific statutory provisions or exemptions. These are regulations for administering specific provisions in the Copyright Act, typically involving exceptions, where Congress has expressly delegated to the Office a role in managing the particular provision, e.g., receiving notices of objection to certain non-commercial performances of literary or musical works,¹² specifying the content of copyright warnings posted by libraries and archives,¹³ etc.

Statutory license regulations. These are regulations for administering the various statutory licenses in the Copyright Act for cable television, satellite television, digital public performances, the mechanical license, the Audio Home Recording Act, etc. These highly complex and detailed provisions include reporting requirements, verification of statements of account, etc., as well as the results of periodic adjustments to the statutory royalty rates.¹⁴

Substantive regulations. These are regulations that create substantive copyright law pursuant to an express delegation of authority by Congress to issue such regulations after notice and comment. The primary example of this is the triennial § 1201 rulemaking for identifying classes of works exempted from the anti-circumvention provisions of the Digital Millennium Copyright Act.¹⁵

As mentioned above, this is a rough and somewhat arbitrary categorization, and one could break down the regulations into different categories, or into more specific subcategories. In addition, some provisions straddle multiple categories, and placing such provisions in one or another category may be somewhat arbitrary. That said, the categorization provides us

10. See, e.g., 37 C.F.R. §§ 203.1–205.23 (2016) (FOIA requests, privacy act compliance, and legal process).

11. See, e.g., *id.* §§ 201.1–201.3 (general provisions, fees, registration, recordation); *id.* § 202 (preregistration). Note that this category includes regulations dealing with termination of transfers, since these are related to the recordation function of the Office, although they could also be placed in the next category. *Id.* § 201.10. Note also that included in this category are provisions for the registration of mask works (§ 211) and boat hulls (§ 212), even though these are not, strictly speaking, copyright registrations.

12. *Id.* § 201.13.

13. *Id.* § 201.14.

14. See, e.g., *id.* §§ 210, 253.1–253.11.

15. *Id.* § 201.40.

with a quick snapshot of the existing regulatory output of the Copyright Office.

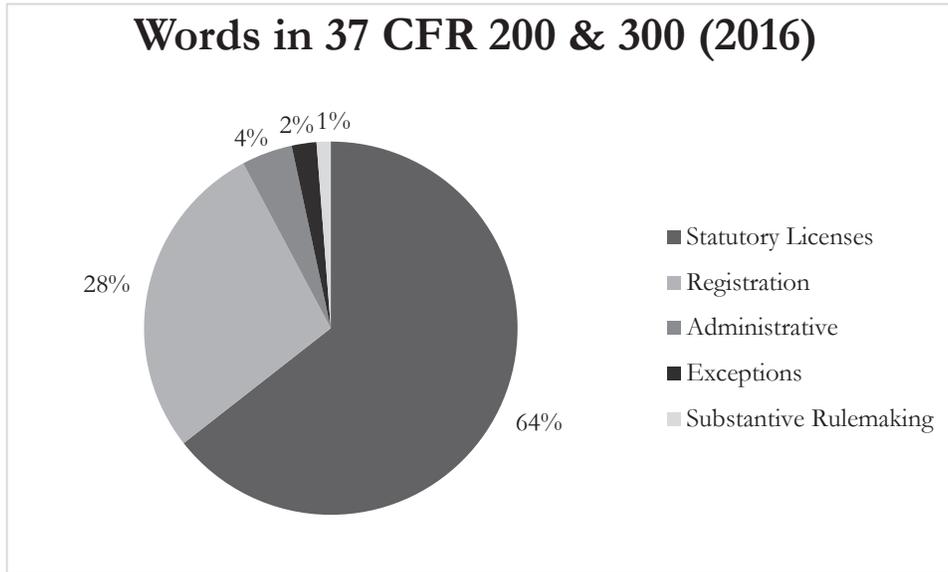
Under the categorization scheme above, by far the largest category of regulations consists of the provisions administering the various statutory licenses.¹⁶ These regulations currently represent approximately 64% of the total size of copyright regulations. A number of these regulations are specific to a particular statutory license, whereas others apply to the statutory license system more generally. These are extensive and extremely complex regulations dealing with all of the many details surrounding the licenses, such as eligibility for licenses, reporting requirements, filing statements of account, proceedings before the Copyright Royalty Board, royalty rate revision proceedings, royalty distribution procedures, etc.

The next largest category consists of regulations involving registration, deposit, notice, and other traditional Office functions, making up approximately 28% of the total word count. As noted above, these and similar provisions made up the bulk of the regulations prior to passage of the 1976 Act.

At the other end of the spectrum, the smallest category consists of substantive copyright regulations promulgated by the Librarian of Congress after notice and comment, accounting for just about 1% of the total regulatory word count. This category consists of a single section, 37 C.F.R. § 201.40, which lists the categories of works exempted from anticircumvention liability under 17 U.S.C. § 1201.

16. 17 U.S.C. § 111 (2012) (secondary transmission for cable systems); § 112 (ephemeral recordings); § 114 (performance of sound recordings by digital audio transmission); § 115 (making and distributing phonorecords); § 119 (secondary transmissions for satellite carriers); § 122 (secondary transmissions for satellite carriers for local retransmissions); § 1003 (digital audio recording devices and media).

Figure 3
37 C.F.R. §§ 200 and 300 Word Count Breakdown



III. OBSERVATIONS AND IMPLICATIONS

So what observations or conclusions, if any, can we draw from the simple descriptive analysis above? Initially, of course, we should be cautious about drawing too many conclusions from simple word counts and basic descriptive analysis. Word counts are an imperfect proxy for importance, significance, or regulatory effort. That said, the descriptive account does offer a picture of the current regulatory output of the Copyright Office, and there are a number of observations we can make.

First, copyright rulemaking has evolved significantly over time. Copyright rulemaking effectively began after passage of the 1909 Act, and for the first 70 years almost exclusively consisted of relatively modest procedural and technical regulations dealing with the traditional Copyright Office functions of registration, deposit, notice, etc. After passage of the 1976 Act, however, copyright rulemaking increasingly dealt with management of the complex statutory licenses created by Congress in the 1976 Act and subsequent amendments. Although these regulations intervened more directly in the structure of certain markets, they were still largely aimed at implementing substantive statutory provisions enacted by Congress. Finally, and most recently, in 1998, Congress, for the first time, delegated substantive rulemaking

authority to the Copyright Office under § 1201.¹⁷ The story is thus one of not only increasing regulatory authority, but a dramatic shift in the nature of that authority, as Congress has entrusted the Copyright Office with greater authority over copyright policy.

Second, it is worth observing that certain other kinds of regulations are missing from the Copyright Office's regulatory output, at least as it is found in 37 C.F.R. In particular, the Copyright Office does not generally issue the kinds of interpretive regulations that other agencies sometimes issue. The one exception is in the area of registration, where some regulations do expressly interpret the provisions in the Copyright Act dealing with originality and fixation.¹⁸ In addition, the Copyright Office's Compendium of U.S. Copyright Office Practices¹⁹ contains a significant amount of interpretive guidance on these same subjects. The Compendium is not expressly a regulation issued by the Office, but rather a manual that "provides expert guidance to copyright applicants, practitioners, scholars, the courts, and members of the general public regarding institutional practices and related principles of law."²⁰ While the interpretations in the Compendium are not entitled to *Chevron*²¹ deference, courts may consider and weigh them to the extent they are persuasive.²² Similarly, the Office has for some time issued studies and reports on various aspects of copyright law, in its capacity as an advisor to Congress on copyright legislation. However, regulations containing interpretive guidance do not make up a substantial portion of the Copyright Office's regulatory output.

Third, it is interesting to note the dominance of the statutory licensing provisions, and the comparatively small size of substantive rulemaking, in the overall regulatory output of the Copyright Office. Copyright regulations primarily concern statutory licensing and traditional registration functions. Only a minuscule portion of the Office's current regulatory output consists of substantive copyright regulation. This is not to say that the substantive

17. 17 U.S.C. § 1201(a)(1)(C). *See* Liu, *supra* note 2, at 98, 110–12 (describing and analyzing this trend).

18. *See, e.g.*, 37 C.F.R. § 202.1 (2016) ("Material not subject to copyright.").

19. U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES (3d ed. 2017), <https://www.copyright.gov/comp3/> [<https://perma.cc/C9ZK-AXT8>].

20. *See id.* at 1; *see also* 37 C.F.R. § 201.2(b)(7).

21. *See Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984) (holding that where statute is ambiguous, courts should defer to agency's reasonable interpretation).

22. *See Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (agency interpretations of statute may be followed if sufficiently persuasive). Note that there is a generally unsettled question regarding what kind of deference Copyright Office interpretations are due in its registration determinations. *See* Dan Burk, *DNA Copyright in the Administrative State*, 51 U.C. DAVIS L. REV. 1297, 1301 (2018).

regulations are unimportant, or that they require comparatively little effort to promulgate. Indeed, because these provisions, unlike some of the other regulations, require notice and comment and must be re-promulgated every three years, they occupy significant agency resources.²³ That said, the relatively small size and recent provenance of this kind of regulatory activity are interesting to note, given that many proposals suggest expanding upon precisely this category of rulemaking.

With respect to this last observation, it is worth considering how the dominance of statutory licensing in the Office's current regulatory output might affect how we think about copyright regulation in the future. On the one hand, just because an agency has undertaken certain forms of rulemaking in the past does not mean that it must continue to do so in the future. After all, Congress can always alter the mix of regulations that the Office promulgates. At the same time, as we think about what role copyright rulemaking might play in the future, it is important to acknowledge that we do not write on a blank slate or a blank agency. Accordingly, it is worth asking how the Office's existing regulatory output might affect, influence, or limit what we ask it to do in the future.

In particular, how might the existing regulatory activity of an agency shape its priorities, its worldview, and its capabilities? For example, a Copyright Office focused exclusively on registering copyrights (as was the case for many decades) might have a certain outlook or perspective. Its primary responsibility would be to ensure that copyright claims are properly registered and recorded, that the records are easily searched, and that information about copyright entitlements is made available for purposes of licensing. The primary constituencies might be the authors, publishers, and others who wish to license or use copyrights. The substantive copyright doctrines of most concern might be those dealing with validity, e.g., originality and fixation, as well as formalities, and less (if at all) with doctrines outside of registration, such as infringement and fair use. The model here is of an agency as a recorder of claims and a facilitator of transactions.

By contrast, a Copyright Office focused extensively on managing and administering various statutory licenses might have a different perspective or orientation. Such an Office would, like the Office mentioned in the previous paragraph, be focused on facilitating transactions. But unlike the Office in the previous paragraph, such an Office would not be facilitating transactions struck in the market, but transactions struck through the legislative process and enacted into law. Such an Office might be engaged more deeply in the structure of the particular industries subject to statutory licensing (e.g., cable

23. *See* 17 U.S.C. § 1201(a)(1)(C); 5 U.S.C. § 553 (2012).

television, satellite television, recorded music, etc.), and indeed might be particularly sensitized to the interests of such industries. The model here would be of an agency as an administrator of industry agreements and settlements.

Finally, a Copyright Office focused extensively on promulgating substantive copyright regulations might have yet another outlook or perspective. For example, imagine the Copyright Office were given significant substantive regulatory authority, like some other federal agencies, to promulgate broad exceptions to copyright liability or issue broad substantive and binding regulations regarding copyrightability. Imagine the Office were delegated such authority by Congress in furtherance of a specific statutory policy such as ensuring broad public access to copyrighted works. Such an Office might view its constituency differently and might be more focused on a particular normative policy goal, rather than simply on facilitating market transactions or administering a statutory license. The model here would be of an agency as promoter of a particular substantive policy or set of policies.²⁴

Of course, the Copyright Office currently engages in all of the above activities and thus reflects all of these different perspectives and orientations, is responsive to many different constituencies, and pursues many different (and sometimes inconsistent) policies. Yet the point is that it may not engage in all of these activities in equal degree. To the extent that certain activities, such as the Copyright Office's rulemaking activities, reflect a particular distribution of such concerns, such a distribution might affect how it issues regulations in the future. More specifically, the overwhelming dominance of statutory licensing, and the relatively smaller size of substantive rulemaking, should inform future delegations of rulemaking authority.

One implication of the current distribution of regulatory output is that, as we consider delegating more rulemaking authority to the Copyright Office, we should keep conceptually distinct the different kinds of rulemaking the Office has engaged in in the past. For example, if Congress were to delegate more and broader substantive rulemaking authority to the Office, it should ensure that the authority is accompanied by a clearly articulated policy goal or statement of purpose.²⁵ This would signal clearly that the operative model of agency action is the agency as promoter of substantive policy, rather than as facilitator of transactions or settler of industry disagreement. The role is not to broker agreement, but to further a normative policy.

24. Cf. Rachel Barkow, *Insulating Agencies: Avoiding Capture Through Institutional Design*, 89 TEX. L. REV. 15 (2010) (exploring agency institutional design features as a way of reducing the risk of industry capture).

25. See, e.g., 17 U.S.C. § 1201(a)(1)(C) (specifying the criteria that the Librarian of Congress must apply in exempting categories of works from anticircumvention liability).

The crafting of copyright exceptions highlights the potential dangers of confusion as to role. If the Copyright Office were given the power to promulgate exceptions to copyright liability (as some commentators have proposed),²⁶ the Copyright Office could adopt two very different perspectives: exceptions as furthering a normative copyright policy, or exceptions as a compromise between the interests of competing groups. Under the former perspective, the Office would take comments, undertake studies, and apply its own expertise to determine exceptions that in its view best further the normative policy.²⁷ Under the latter perspective, the Office would convene industry groups, facilitate negotiations, and endorse exceptions that reflect compromise between the interests of the parties. As with legislation, the line between policy and compromise may not be a clear one, and the interests of various parties will be considered in either case. Yet the orientation or emphasis adopted by the agency may make a real difference in the kinds of regulations promulgated.²⁸

Some past discussions of exceptions have reflected a kind of “dispute resolution” perspective. For example, in the run-up to passage of the 1976 Act, there was much disagreement about the proper scope of a photocopying privilege for in-class educational uses. Various interested groups gathered to negotiate and agree upon certain guidelines for such uses, which were eventually incorporated into the legislative history of the Act, though they appeared nowhere in the Act itself.²⁹ More recently, the Copyright Office has helped convene interested groups to discuss potential revision of 17 U.S.C. § 108 exceptions for libraries and archives, in light of the vast changes in technology since passage of the Act. Such discussions might be viewed as helping to inform a particular normative policy or as dictating the terms of a compromise between industry groups, or, of course, a bit of both.³⁰

The experience with the § 1201 rulemaking provides yet another illustration of the importance of clarity as to role. Congress delegated to the

26. See, e.g., Liu, *supra* note 2, at 148; Mazzone, *supra* note 3, at 399.

27. See generally Pamela Samuelson, *Unbundling Fair Uses*, 77 *FORDHAM L. REV.* 2537 (2009) (identifying clusters of policy justifications for fair use in the existing case law).

28. Note that even in the absence of substantive regulatory authority, the Office has done something arguably similar in recent years when issuing advisory reports on substantive copyright policy issues—e.g., ISP safe harbors, orphan works, mass digitization—after issuing a notice of inquiry soliciting input and comments from various stakeholders. Although the final product is a publication rather than substantive regulation, the process resembles in some ways the process of notice and comment for rulemaking.

29. H.R. REP. NO. 94-1476, at 66–67, *reprinted in* 1976 U.S.C.C.A.N. at 5680; see Jennifer E. Rothman, *The Questionable Use of Custom in Intellectual Property*, 93 *VA. L. REV.* 1899, 1918–19 (2007).

30. See generally Rothman, *supra* note 29.

Librarian of Congress the authority to exempt certain classes of works from anticircumvention liability. In so doing, Congress articulated a normative standard—whether technological protection measures “adversely affect[]” the ability of persons to engage in noninfringing uses—and set forth a list of factors the Librarian was to consider in making that substantive determination.³¹ Thus, Congress clearly signaled the desire to pursue a substantive policy goal. Notably absent, at least expressly, was any consideration of compromise between various interests. Initially, the Librarian took a relatively limited view of its regulatory authority, but it has expanded that authority somewhat in subsequent rulemakings, reflecting a greater comfort with the delegation of substantive authority.

Closely related to the concern about the perspective the Office adopts when issuing regulations is a concern about the resources and particular competences of the Office. The vast majority of the Office’s current resources are focused on registration and the administration of the statutory licenses. By contrast, Office resources devoted to policy analysis (whether legal, economic, or technological) are comparatively limited. This distribution of resources made sense in a world where the Office’s primary administrative responsibilities focused on registration and the statutory licenses. However, if the agency is to be given expanded substantive regulatory authority going forward, it must also be equipped with the resources and expertise necessary to properly exercise that authority. These concerns have been raised elsewhere, but are worth repeating here.³²

Finally, any delegation of additional substantive regulatory authority to the Copyright Office must grapple with the broader concern about industry capture. This is a particular concern in areas like copyright law, where focused interests have much to gain by lobbying for protection, while the public interest is diffuse and has a more difficult time organizing itself in opposition.³³ Even if the Copyright Office were given the resources and expertise to fulfill a broader regulatory role, a real concern exists that the exercise of such power could be skewed in favor of private interests at the expense of the broader public interest.

To some extent, the concerns expressed in this Article exist whether or not industry capture exists. Even in the absence of any evidence of capture, the Office’s existing regulatory authority and output could shape its

31. 17 U.S.C. § 1201(a)(1)(C) (2012).

32. See Liu, *supra* note 2, at 156–58; Aaron Perzanowski, *The Limits of Copyright Expertise*, 33 BERKELEY TECH. L.J. 735 (2018).

33. See Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 CORNELL L. REV. 857, 870–79 (1987).

experience, orientation, and expertise. That said, such concerns would, of course, be exacerbated in an environment where industry capture was a real risk. Thus, steps should be taken to reduce the risk of capture and ensure that any exercise of additional regulatory authority be informed by a concern about the public interest.³⁴ This is an important issue that is beyond the scope of this Article.

IV. CONCLUSION

In the end, this Article argues that, as we consider delegating more rulemaking authority to the Copyright Office, we must take seriously the history of copyright rulemaking and the peculiar path-dependence of that rulemaking to date. We do not write on a blank slate or a blank agency. Over the past century, the Office has developed its own expertise and perspective, and as we consider conferring more substantive rulemaking authority on the Office, we must think carefully about how that expertise and perspective will affect future exercises of regulatory authority.

34. See Barkow, *supra* note 24, at 17, 19 (suggesting that policy makers should avoid “prioritizing narrow short-term interests at the expense of long-term public welfare”).

BEWARE THE TRADEMARK ECHO CHAMBER: WHY FEDERAL COURTS SHOULD NOT DEFER TO USPTO DECISIONS

Deborah R. Gerhardt[†]

ABSTRACT

This Article explains why federal courts should not defer to United States Patent and Trademark Office (USPTO) trademark decisions. Under United States trademark law, actual use of a mark on specific goods or services is required to support federal trademark registration. The USPTO processes a tremendous volume of applications to register trademarks. In order to do so expeditiously, trademark examiners use heuristics drawn from past USPTO registration data. While markets continually change, each trademark registration is updated at five or ten-year renewal intervals. Accordingly, much of the data does not reflect current market use. A recent audit established that many federal trademark registrations would be cancelled if their factual foundations were challenged. In stark contrast, courts examine market evidence in evaluating the core trademark issues of use, validity, and availability. Examining the factual context of each mark is especially important because, unlike other forms of intellectual property, trademarks have no fixed duration. They are functions of market use. Over time, trademark rights may shrink, be forfeited or expand and last indefinitely as use and public perceptions change. If courts apply *de novo* review to Trademark Trial and Appeal Board (TTAB) decisions, they will ensure that a forum remains for trademark decisions to be adjudicated based on facts, instead of shortcuts, and current, not past, understandings. While the USPTO does have significant trademark expertise, it does not have the authority to consider Constitutional limits on trademark protection. As seen in the administrative history of the “SLANTS” mark, the USPTO does not adjudicate whether trademark registration decisions violate constitutional rights. Too much deference to the USPTO could result in a trademark echo chamber where litigants never have the opportunity for a court to examine the entire factual record or consider how trademark decisions impact expressive speech. For all of these reasons, federal courts should review USPTO trademark decisions *de novo* to preserve the opportunity for adjudication based on genuine fact-finding and an openness to modes of inquiry in addition to trademark law.

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I. INTRODUCTION

Federal judges may be tempted to defer to administrative findings on trademark matters. The United States Patent and Trademark Office (USPTO) employs hundreds of lawyers who spend all their professional time on trademark law and policy. Their expertise on trademark matters is substantial, and at first glance, it may seem to be reason enough to defer to their decisions. A prominent scholar asserted that administrative law doctrine supports giving USPTO decisions greater deference than they are currently accorded.¹ But before doing so, there are important counterarguments to consider.

This Article identifies four reasons why federal courts should be particularly cautious about deferring to USPTO trademark decisions. First, administrative law supports *de novo* review. Second, the USPTO routinely uses heuristics drawn from the Principal Register in place of evidence of actual market use. Before deferring to a USPTO decision in any particular matter,

1. See generally Melissa F. Wasserman, *What Administrative Law Can Teach the Trademark System*, 93 WASH. U. L. REV. 1511 (2016).

federal courts should consider whether the USPTO examined evidence of market use before rendering their decision. Third, trademark rights can change dramatically over time. Most forms of intellectual property, like patents, copyrights, and rights of publicity, have set linear terms of protection and then move into the public domain. Trademarks are different. They can move in and out of protectable status as market uses and language evolve. A trademark, if carefully curated as a source identifying symbol, can last forever. But it is also possible for a mark owner to lose trademark rights at any time if the mark is abandoned or ceases to signal commercial distinctiveness. Fourth, while the USPTO has significant trademark experience, it lacks expertise on other issues, such as market analysis, lexicography, economics, and First Amendment expressive rights, which are often implicated in trademark matters.

This Article proceeds in five parts. After summarizing the trademark registration process in Part II, the discussion proceeds through the four reasons why federal courts should apply *de novo* review to USPTO decisions. Part III challenges the assertion that administrative law supports greater deference to USPTO decisions. It sets forth multiple ways in which administrative law doctrine supports *de novo* review of USPTO decisions. Part IV identifies the heuristics that the USPTO uses in place of market evidence to examine the fundamental questions of trademark use, distinctiveness, and likelihood of confusion. All of these issues raise fact-intensive questions that the USPTO lacks the time and resources to address. The USPTO processes a tremendous volume of applications. In order to do so expeditiously, trademark examiners are instructed to use evidentiary heuristics in place of actual facts. These heuristics may lead to overprotection of some marks resulting in underprotection for new entrants engaged in *bona fide* use. These results may then be affirmed without genuine fact-finding by the USPTO's administrative court, known as the Trademark Trial and Appeal Board (TTAB).

Part V explains how trademark protection is fundamentally different from other forms of intellectual property that may be lost due to expiration or disclosure. While trademark rights can be lost as well, they can also expand or contract over time as use and public perception change. The dynamic nature of trademarks and the forward-looking nature of the likelihood of confusion standard mean that the doctrine has built-in flexibility meant to permit reconsideration of past predictive conclusions. This flexibility provides additional room for courts to avoid deference to past administrative decisions and, instead, to conduct independent *de novo* review.

Finally, Part VI analyzes whether the USPTO's significant trademark expertise justifies deference. While the USPTO has extensive expertise in trademark law, it lacks expertise in other disciplines that protect expressive interests and inform how consumers perceive symbols. Too much deference could result in decisions from a trademark echo chamber. Federal court

intervention may be necessary to protect expressive interests that are often entwined in trademark matters. The Federal Circuit and Supreme Court decisions overturning the TTAB's refusal to register "THE SLANTS" mark illustrate the important role that federal courts play in assuring that trademark issues are not extinguished by decision-makers who lack authority to consider First Amendment rights.² For all of the foregoing reasons, Part VII concludes that as currently constructed, the practice of de novo federal court review ensures that there is a forum for trademark decisions to be made based on genuine fact-finding and an openness to modes of inquiry outside of trademark law.

II. THE USPTO'S TRADEMARK REGISTRATION SYSTEM

The Trademark division of the USPTO reviews applications for federal trademark protection.³ Successful applicants are granted federal registration. The USPTO administers two official trademark registries: the Principal and Supplemental Registers. The Principal Register confers superior statutory benefits.⁴ A principal registration gives the mark owner exclusive nationwide rights to use the mark on the goods and services identified in the application.⁵ Even if a brand owner is not using its mark in every state, the registration empowers the owner to stop later adopters from using the mark once the owner enters their regions.⁶ The registration certificate constitutes prima facie evidence that the mark is valid and owned by the applicant.⁷ After a mark is on the Principal Register for five years, it may become "incontestable" if its owner indicates it is still in use on the identified goods and services.⁸ Once incontestable status is secured, the registration may be renewed indefinitely

2. *See* *Matal v. Tam*, 137 S. Ct. 1744, 1765 (2017) (affirming the Federal Circuit's en banc reversal of the TTAB decision denying registration of "THE SLANTS" because the statute barring registration of disparaging marks violated the First Amendment to the United States Constitution).

3. For a more detailed description of the trademark registration process, see generally Deborah R. Gerhardt & Jon P. McClanahan, *Do Trademark Lawyers Matter?*, 16 STAN. TECH. L. REV. 583 (2013).

4. *See* 15 U.S.C. § 1094 (2012).

5. *See id.* § 1057(c) ("[T]he filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person . . .").

6. *See generally* *Dawn Donut Co. v. Hart's Food Stores, Inc.* 267 F.2d 358 (2d Cir. 1959) (holding that "§ 1072 affords nationwide protection to registered marks, regardless of the area in which the registrant actually uses the mark").

7. *See* 15 U.S.C. § 1057(b).

8. *Id.* § 1065.

every ten years.⁹ An incontestable registration constitutes “conclusive evidence” of the mark’s validity and the information in the registration certificate.¹⁰ Incontestable status does not prevent the mark from being challenged, but it limits the grounds on which a cancellation claim may be asserted.¹¹

When seeking to register a trademark, an applicant must demonstrate that the mark is used in commerce, is commercially distinctive of goods and services, and is not barred by statute. Applicants must verify, under oath, the date when they began using the mark in commerce and the goods or services used in connection with the mark.¹² Applicants must also provide at least one specimen that shows the use of the mark in commerce.¹³

Proof of distinctiveness is another threshold requirement.¹⁴ A mark will be found distinctive if it signals to consumers that the product or service originates from a particular source. The Supreme Court stated that, “[a]n identifying mark is distinctive and capable of being protected if it *either* (1) is inherently distinctive *or* (2) has acquired distinctiveness through secondary meaning.”¹⁵ A mark may be placed on the less desirable Supplemental Register if it is not yet distinctive but is capable of acquiring commercially distinctive meaning.¹⁶ When, for example, an applicant cannot establish that its descriptive phrase has earned consumer recognition as a mark, it may still obtain a place on the Supplemental Register.¹⁷ If the phrase ever acquires distinctiveness, also known as “secondary meaning,” the applicant may reapply for acceptance on the Principal Register.¹⁸

Even if a mark is used in a way that it is distinctive, the USPTO will not register the mark if it is barred by section 2 of the Lanham Act, the federal statute governing trademark law. The USPTO “must register source-identifying trademarks unless the mark falls into one of several categories of marks precluded from registration.”¹⁹ Section 2 lists bars to registration.²⁰ For

9. *See id.* § 1058.

10. *Id.* § 1115.

11. *Id.* §§ 1064(3), 1065.

12. *See id.* § 1051. Applications based on a bona fide intent to use a mark must provide proof of use before the mark will be registered.

13. *See id.*

14. *See* 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:70 (5th ed. 2018).

15. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992) (emphasis in original).

16. *See* 15 U.S.C. § 1091.

17. *See id.* § 1095.

18. *See id.*

19. *In re Tam*, 808 F.3d 1321, 1329 (Fed. Cir. 2015), *as corrected* (Feb. 11, 2016), *aff’d sub nom.* *Matal v. Tam*, 137 S. Ct. 1744 (2017).

20. 15 U.S.C. § 1052(a)–(e).

example, section 2(a) prohibits registration of words that are deceptive. Under this provision, the TTAB denied an application to register “MARC CHAGALL” for vodka because it falsely suggested a connection to the famous painter.²¹ More typically, applications are denied based on section 2(d) which bars the registration of a new mark if it is confusingly similar to one already on the Principal Register.

A USPTO attorney reviews each trademark application. If the application is defective in any way, the examining attorney may issue an office action specifying the problem. Most applicants must overcome at least one office action before a mark will be successfully registered.²² Within six months of the date on which the office action is issued, the applicant must respond by amending the application or submitting evidence and arguments rebutting the examiner’s concerns.²³ When all such issues are resolved, the examining attorney will approve the application, and the mark will be published in the USPTO’s Official Gazette.²⁴ Publication indicates that all USPTO objections have been overcome, but it opens a second window of vulnerability. After publication, third parties who think they may be harmed by the registration have thirty days to file an opposition proceeding.²⁵ Oppositions are adjudicated by the USPTO’s TTAB. If no opposition is filed, the application will be admitted to the Principal Register.²⁶

All registered marks (and applications) are published and easily found by an Internet search in the USPTO’s Trademark Electronic Search System (TESS) database. In the examination process, the USPTO examiners search TESS to see whether an applicant’s mark may lead to confusion with a mark that is already registered. Trademark examiners are very adept at finding confusing similarities and will not admit new marks for registration if they are likely to cause confusion with marks registered earlier. A recent empirical study documents that refusals based on a likelihood of confusion are occurring with greater frequency.²⁷ In this way, the USPTO is becoming an increasingly important partner in policing the boundaries of registered trademarks. Live registrations also provide their owners with meaningful deterrent value. New

21. *See generally* Ass’n pour la Defense et la Promotion de L’oeuvre de Marc Chagall Dite Comite Marc Chagall v. Bondarchuk, 82 U.S.P.Q.2d 1838 (T.T.A.B. 2007).

22. *See* Gerhardt & McClanahan, *supra* note 3, at 615.

23. 37 C.F.R. § 2.62 (2015).

24. *See* Gerhardt & McClanahan, *supra* note 3, at 590.

25. *See* 15 U.S.C. § 1063(a) (2012).

26. If the mark has not yet been used in commerce, the applicant will receive a “Notice of Allowance” and registration will occur after the applicant demonstrates that it has begun using the mark in commerce.

27. *See* Barton Beebe & Jeanne C. Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 HARV. L. REV. 945, 1003–12 (2018).

entrants familiar with the USPTO registration process search the registries before selecting marks because they know the USPTO may deny registration based on section 2(d) if an applicant puts forward a mark that may be deemed similar to one that is already registered.

Applicants whose marks are refused registration may appeal to the TTAB.²⁸ These appeals are generally conducted through written testimony and arguments, but parties may request a live oral argument.²⁹ TTAB decisions may be appealed directly to the Federal Circuit or any federal district court with jurisdiction over the dispute.³⁰ In litigation, federal judges may also review TTAB registration decisions made by examiners. Once a federal court is asked to review a USPTO trademark decision, the judiciary must identify the appropriate standard for reviewing the administrative trademark decision. The next Section sets forth important considerations for determining the appropriate standard of review.

III. ADMINISTRATIVE LAW DOES NOT SUPPORT JUDICIAL DEFERENCE TO USPTO TRADEMARK DECISIONS

When a federal court defers to an administrative agency's decision, it adopts a decision that it may not have made independently.³¹ Professor Melissa Wasserman has written an excellent article that sets forth reasons why federal courts should review USPTO decisions with greater deference.³² The goal of this Article is to provide a counterbalance. It is meant to be read alongside hers, and therefore, any arguments that may support greater deference are not rearticulated. Instead, this Article sets forth the reasons courts should not defer

28. See 15 U.S.C. § 1070.

29. TBMP 702.03 (2018) (“Because the Board is an administrative tribunal, its rules and procedures differ in some respects from those prevailing in the federal district courts For example, in lieu of live testimony, proceedings before the Board are conducted in writing, and the Board’s actions in a particular case are based on the written record therein. The Board does not preside at the taking of testimony. Rather, all testimony is taken out of the presence of the Board, by affidavit or declaration, or on oral examination or written questions, and the affidavits, declarations and written deposition transcripts, together with any exhibits thereto, are then submitted to the Board.”); *id.* at 802.02 (permitting either party to a proceeding to request an oral hearing).

30. 15 U.S.C. § 1071.

31. See, e.g., Robert A. Schapiro, *Judicial Deference and Interpretive Coordinacy in State and Federal Constitutional Law*, 85 CORNELL L. REV. 656, 665 (2000) (“Judicial deference acknowledges that . . . a court might arrive at a conclusion different from one it would otherwise reach.”); Jonathan S. Masur & Lisa Larrimore Ouellette, *Deference Mistakes*, 82 U. CHI. L. REV. 643, 652 (2015) (defining deference “to include any situation in which a second decisionmaker is influenced by the judgment of some initial decisionmaker rather than examining an issue entirely de novo”).

32. See generally Wasserman, *supra* note 1.

to USPTO trademark decisions.

Federal courts have not reached a consensus on the standard of review they should apply to USPTO trademark decisions.³³ Occasionally, federal courts have concluded it is appropriate to defer to the USPTO's trademark expertise on interpretations of the Lanham Act.³⁴ More often, the federal judiciary accords less deference, reviewing the decisions as "persuasive, but not controlling" or "entitled to respect" due to the USPTO's trademark expertise.³⁵ Many other courts apply no deference at all and review USPTO decisions independently under a *de novo* standard.³⁶

Given the substantial trademark experience at the USPTO, federal courts may be tempted to defer to agency expertise. Before doing so, they should note that administrative law doctrine provides a sound basis for declining to exercise such deference. The Administrative Procedure Act (APA) sets default rules to unify federal agency procedures and the extent to which federal courts may review agency decisions.³⁷ Unless Congress enacts legislation specifying the appropriate standard of review for an agency's decisions, the APA dictates the standard of review that federal courts should apply.³⁸ The federal patent statutes do not specify the standard of review that courts should apply when reviewing USPTO decisions. In *Dickensen v. Zurko*, the Supreme Court clarified that the APA sets the standards of review for judicial consideration of USPTO patent decisions.³⁹

33. *See id.* at 1556–57.

34. *See Eastman Kodak Co. v. Bell & Howell Document Mgmt. Prods. Co.*, 994 F.2d 1569, 1571 (Fed. Cir. 1993).

35. *See, e.g.*, *Kelly Services, Inc. v. Creative Harbor, LLC*, 846 F.3d 857, 879 n.1 (6th Cir. 2017) (citing *Rosenruist-Gestao E Servicios LDA v. Virgin Enters. Ltd.*, 511 F.3d 437, 459–60 (4th Cir. 2007); *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 382 (2d Cir. 2005) (citing TTAB decisions); *Enrique Bernat F., S.A. v. Guadalajara, Inc.*, 210 F.3d 439, 443 (5th Cir. 2000); *Gruma Corp. v. Mex. Restaurants, Inc.*, 497 F. App'x 392, 396 n.1 (5th Cir. 2012) (collecting cases treating TTAB decisions as persuasive authority).

36. *See, e.g.*, *Aktieselskabet AF November 2001 v. Fame Jeans Inc.*, 525 F.3d 8, 13 (D.C. Cir. 2008) (explaining that a district court "decides *de novo* whether the application at issue should proceed to registration, or the registration involved should be canceled, or "such other matter as the issues in the proceeding require, as the facts in the case may appear"); *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014) (finding that "the district court reviews the record *de novo* and acts as the finder of fact"); *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439, 452 (E.D. Va. 2015), vacated on other grounds, 709 F. App'x 182 (4th Cir. 2018) ("Where a party to such an action exercises its right to supplement the TTAB record, the Court gives no deference to the TTAB's findings.").

37. *See generally* 5 U.S.C. §§ 551–559, 701–706 (2012).

38. *Dickensen v. Zurko*, 527 U.S. 150, 152 (1999).

39. *Id.*

Like federal patent law, the Lanham Act contains no provision specifying the standard of review for USPTO trademark decisions.⁴⁰ Following *Dickenson*, one would expect the APA to govern the level of deference federal courts should afford to USPTO trademark decisions.⁴¹ The APA sets forth three standards federal courts may use in reviewing administrative decisions on questions of law: the “must defer” *Chevron* standard, the “may defer” *Skidmore* review, or the “no deference” standard of de novo review.⁴² Under the *Chevron* standard, courts must defer to reasonable agency decisions, especially when the agency has particular expertise over a “regulatory scheme [that is] technical and complex, the agency considered the matter in a detailed and reasoned fashion, and the decision involves reconciling conflicting policies.”⁴³ Under the *Skidmore* standard, although agency decisions are not controlling, courts may defer to agency expertise because their decisions “constitute a body of experience and informed judgment.”⁴⁴ When *Chevron* deference applies, the reviewing court substitutes the agency’s findings for its own, and when *Skidmore* deference applies, the court may lean heavily on the agency’s interpretation. In stark contrast, courts that apply de novo review make independent findings of fact and conclusions of law.⁴⁵

Professor Melissa Wasserman asserts that *Chevron* deference should be given to USPTO decisions on questions of trademark law.⁴⁶ Notwithstanding this general assertion and the normative hopes for a future USPTO with greater resources and evolved expertise, her central claim with respect to deference is narrow. Initial registration decisions constitute the vast majority

40. See Wasserman, *supra* note 1, at 1527–29.

41. *Dickenson*, 527 U.S. at 152.

42. Wasserman, *supra* note 1, at 1529.

43. *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 843–44, 865 (1984) (holding that “[i]f Congress has explicitly left a gap for the agency to fill, there is an express delegation of authority to the agency to elucidate a specific provision of the statute by regulation. Such legislative regulations are given controlling weight unless they are arbitrary, capricious, or manifestly contrary to the statute. Sometimes the legislative delegation to an agency on a particular question is implicit rather than explicit. In such a case, a court may not substitute its own construction of a statutory provision for a reasonable interpretation made by the administrator of an agency”).

44. *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944).

45. *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014) (finding that federal district courts have “authority independent of the PTO to grant or cancel registrations and to decide any related matters such as infringement and unfair competition claims.” 15 U.S.C. § 1071(b)(1). The district court must admit the PTO record if a party so moves, and if admitted, the record “shall have the same effect as if originally taken and produced in the suit.” *Id.* at § 1071(b)(3). Whether or not the record is admitted, the parties have an unrestricted right to submit further evidence as long as it is admissible under the Federal Rules of Evidence and Civil Procedure.).

46. Wasserman, *supra* note 1, at 1539.

of the USPTO's trademark work. Professor Wasserman concedes that federal courts should afford no deference to registration decisions made by trademark examiners.⁴⁷ However, in her judgment, a subset of registration appeals do warrant deference. She asserts that the best candidates are the subset of decisions that the TTAB expressly designates as precedential.⁴⁸ Some precedential decisions are appealed to the Federal Circuit, and Professor Wasserman concludes that *Skidmore* deference, or more provocatively *Chevron* deference, should be applied.⁴⁹ She concedes that if the applicant chose to instead appeal the decision to a federal district court, deference would not be appropriate because “[i]f new evidence is presented that informs the underlying legal determination, then the district court should make de novo factual findings and legal determinations. In this circumstance, the district court is not acting as a reviewing court, as envisioned by the APA, but instead as a tribunal of first impression.”⁵⁰

Notwithstanding Wasserman's arguments in favor of deference for precedential TTAB decisions appealed to the Federal Circuit, administrative law doctrine provides reasons not to apply *Chevron* or *Skidmore* deference to any USPTO trademark decisions. The deferential *Chevron* standard requires federal courts to defer to agency interpretations on ambiguous questions of law that are based on a “reasonable” construction of the statute.⁵¹ In *United States v. Mead*, the Supreme Court clarified that *Chevron* deference should be applied only if Congress delegated formal rule-making power or formal adjudication authority to the agency.⁵² The USPTO possesses neither of the two formal powers that trigger *Chevron* deference.

The USPTO does not have formal rule-making authority. In the patent context, the Federal Circuit held that the USPTO may enact only procedural rules and does not have the substantive rule-making authority required to

47. *See id.* at 1526.

48. *Id.* at 1539. Only decisions that TTAB identified as “precedential” are considered binding on the board. All other decisions may be considered as persuasive authority but are not binding. TBMP § 101.03 (June 2017) (clarifying that TTAB decisions are citable as precedent only if they are “designated by the Board ‘citable as precedent,’ ‘precedent of the Board,’ ‘precedent of the TTAB,’ or ‘for publication in full’ Decisions which are not so designated, or which are designated for publication only in digest form, are not binding on the Board, but may be cited for whatever persuasive weight to which they may be entitled. Decisions of other tribunals may be cited to the extent allowed and for the purposes permitted by the tribunal that issued the decision”).

49. Wasserman, *supra* note 1, at 1547.

50. *Id.* at 1545.

51. *Chevron, U.S.A., Inc. v. NRDC Inc.*, 467 U.S. 837, 844 (1984).

52. *See United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001).

trigger *Chevron* deference.⁵³ Similarly, the trademark side of the USPTO has only procedural authority.⁵⁴ Professor Wasserman concedes that the USPTO “does not possess the power to issue binding rules that carry the force of law on the core issues of trademark law.”⁵⁵

Even without formal rule-making authority, *Chevron* deference may be appropriate when agencies are given formal adjudication authority.⁵⁶ Adjudications “involve determinations of contested facts in applying rules to specific circumstances.”⁵⁷ By definition, adjudications require examination of contested *facts*. Therefore, it is important to examine whether the USPTO trademark registration process involves genuine fact-finding. As set forth in Part IV, the USPTO uses a series of administrative shortcuts in place of market evidence in making trademark registration decisions. Given these routine practices, it would be inaccurate to describe the USPTO’s trademark registration process as formal adjudication.

Congress knows how to assign final adjudication authority to agencies so that the agency’s decisions will be accorded *Chevron* deference. Typically, when Congress decides to give an agency formal adjudication authority, it says so by expressly using words such as “on the record” to clarify that the agency’s proceedings involve the type of fact finding one would experience in court.⁵⁸ Professor Wasserman concedes that the typical words Congress uses to grant formal adjudicatory authority do not appear in the Lanham Act.⁵⁹ That absence makes sense because Congress explicitly provided for trademark registration decisions to be fully litigated in federal district court.⁶⁰

53. *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (“Because Congress has not vested the Commissioner with any general substantive rulemaking power . . . the rule of controlling deference set forth in *Chevron* does not apply” to most PTO regulations, which are procedural in nature).

54. 15 U.S.C. § 1123 (2012) (“The Director shall make rules and regulations, not inconsistent with law, *for the conduct of proceedings* in the Patent and Trademark Office under this chapter.”) (emphasis added).

55. Wasserman, *supra* note 1, at 1534.

56. *See Mead Corp.*, 533 U.S. at 226–27.

57. *See United States v. Indep. Bulk Transp., Inc.*, 480 F. Supp. 474, 478 (S.D.N.Y. 1979) (citing *United States v. Florida E. C. R. Co.*, 410 U.S. 224, 244–45 (1973); *Int’l Tel. & Tel. Corp. v. Local 134, Int’l Bhd. of Elec. Workers*, 419 U.S. 428 (1975)).

58. Melissa M. Berry, *Beyond Chevron’s Domain: Agency Interpretations of Statutory Procedural Provisions*, 30 SEATTLE U. L. REV. 541, 551–52 (2007) (explaining that although the Supreme Court never had a bright-lined rule, “no one would dispute that formal procedures should be required if the enabling statute includes ‘on the record’ language . . . many states require some sort of ‘hearing’ . . .”).

59. Wasserman, *supra* note 1, at 1537.

60. 15 U.S.C. § 1071(b) (2012).

The APA provides that de novo review is appropriate when there is a statutory guarantee of a new trial.⁶¹ It states that the reviewing court shall decide all questions of law and set aside any agency findings of facts when “the facts are subject to trial de novo by the reviewing court.”⁶² This is exactly the scenario that the Lanham Act created so that all examination and TTAB decisions may be fully relitigated in federal district court.⁶³

Commentators and courts agree that when new evidence is presented in federal district court, the TTAB’s findings of fact must be reviewed de novo.⁶⁴ When no new evidence is offered, federal courts have debated the appropriate standard for reviewing USPTO’s findings of fact. Some courts state that they defer to facts found by the USPTO if they are supported by “substantial evidence.”⁶⁵ Professor Wasserman argues that the more deferential “arbitrary or capricious” standard should be applied when a TTAB decision is appealed to the Federal Circuit or when no new facts are before a federal district court.⁶⁶ Under this standard, the reviewing court may not substitute its view for that of the agency’s and may overturn an agency’s findings of fact only if the agency committed clear error in applying the relevant factors.⁶⁷ Some have argued that the two standards have no meaningful difference.⁶⁸ Others assert that no deference is appropriate beyond acknowledging the prima facie validity of the facts in a registration certificate. Some courts take a hybrid approach, using the “substantial evidence” standard unless the mark owner asserts new evidence, at which point the standard becomes de novo.⁶⁹ The Fourth Circuit Court of Appeals held:

In none of these provisions conferring on federal courts the power to adjudicate rights under the Lanham Act does Congress instruct

61. *Id.* § 706(2)(f).

62. *Id.*

63. *See id.* § 1071.

64. *See, e.g.,* Wasserman, *supra* note 1, at 1545 (“If new evidence is presented that informs the underlying legal determination, then the district court should make de novo factual findings *and* legal determinations.”); *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012).

65. 5 U.S.C. § 706(2)(e) (2012); *Am. Online, Inc. v. AT & T Corp.*, 243 F.3d 812, 817 (4th Cir. 2001).

66. *See* Wasserman, *supra* note 1, at 1558.

67. *See* *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416 (1971).

68. Wasserman, *supra* note 1, at 1550, n.178 (citing, *inter alia*, then-Judge Scalia’s opinion in *Ass’n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of Fed. Reserve Sys.*, 745 F.2d 677, 683 (D.C. Cir. 1984)).

69. *See* *Pro-Football, Inc., v. Harjo*, 284 F. Supp. 2d 96, 102 (2003) (“[T]he Court reviews the findings of fact of the TTAB under the substantial evidence test, which has been derived from the Administrative Procedure Act (“APA”), 5 U.S.C. § 706. Additionally, the parties are permitted to offer new evidence, and the Court may make new findings of fact based on this newly submitted evidence.”).

the courts to review registration decisions of the PTO under a deferential standard. To the contrary, Congress “has directly spoken” on this issue, specifying a more limited standard: the agency action is “prima facie evidence” of specified facts, and no more.⁷⁰

It is this last view that makes the most sense, given the USPTO’s limited ability to engage in fact-finding. De novo review of TTAB decisions in federal court was expressly put into the Lanham Act to assure that trademark litigants would have a forum to present all operative facts. A leading administrative law treatise confirms that de novo review is the appropriate standard when “fact finding is essential and the agency has inadequate procedures for fact finding.”⁷¹

De novo review of USPTO trademark decision-making is necessary to provide an opportunity for genuine fact-finding. In *Kappos v. Hyatt*, the Supreme Court unanimously held that when a patent litigant appeals a USPTO decision to a federal district court, they are entitled to “a de novo determination with respect to any issue of fact.”⁷² The Court explained that “where new evidence is presented to the district court on a disputed fact question, a de novo finding will be necessary to take such evidence into account together with the evidence before the board.”⁷³ Although the *Kappos* decision addressed questions of patent law, the Supreme Court’s clarification on the standard of review to accord USPTO patent decisions should apply to the agency’s trademark decisions as well.

The Fourth Circuit Court of Appeals correctly applied the *Kappos* reasoning to a USPTO trademark decision, stating that when new evidence is submitted, de novo review is required because the district court “cannot meaningfully defer to the PTO’s factual findings if the PTO considered a different set of facts.”⁷⁴ The major issues of use, distinctiveness, and availability that the USPTO decides for purposes of registration are all fact-intensive.⁷⁵ As set forth in Part IV, the USPTO uses a host of administrative rules of thumb in place of actual market evidence to make these factual determinations. Federal district court provides a genuine forum for a full factual review of the record not replicated by the USPTO. In order to assure that the trademark litigants have some opportunity to present all operative

70. *Am. Online, Inc.*, 243 F.3d at 817.

71. See KRISTIN E. HICKMAN & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW TREATISE § 11.4 (5th ed., 2018 Cum. Supp. 2010).

72. See *id.* § 15.2.

73. *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012).

74. *Swatch AG v. Beehive Warehouse, LLC*, 739 F.3d 150, 156 (2014) (citing *Kappos*, 132 S. Ct. at 1700).

75. See *id.* at 155 (discussing likelihood of dilution and likelihood of confusion as fact-intensive).

facts, courts should not defer to factual determinations made by the USPTO.

Policy concerns about inefficiency raise additional questions about whether deference is advisable, even if it is not required. The Lanham Act does not require trademark owners to exhaust administrative remedies before litigating trademark validity or infringement questions in court.⁷⁶ Congress also did not provide the USPTO with primary jurisdiction over trademark registrations. The doctrine of primary jurisdiction “is concerned with promoting the proper relationships between the courts and administrative agencies charged with particular regulatory duties.”⁷⁷ The doctrine provides that federal courts should suspend proceedings “whenever enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body.”⁷⁸ Congress expressly provided that either the TTAB or the courts could consider trademark registration issues; therefore, neither has primary jurisdiction.⁷⁹ To the extent the questions overlap, either proceeding may be delayed pending a resolution of the other.⁸⁰

A federal court has the discretion to stay its proceedings pending USPTO review. A stay is most appropriate when only registration issues are before the federal court.⁸¹ In the interest of judicial economy, “the case for permitting the PTO to proceed first is bolstered where the PTO adjudication might serve as a final disposition of the matter, making further trial court proceedings unnecessary.”⁸² When courts hear trademark cases that involve more than registration decisions, the argument for deferring to the USPTO is less compelling.⁸³ Given the robust fact-finding abilities of courts and the broader issues often presented in trademark litigation, courts may find that “it is

76. 15 U.S.C. § 1071(b)(1) (2012); *Rhoades v. Avon Prod., Inc.*, 504 F.3d 1151, 1164 (9th Cir. 2007) (“Congress has not installed the PTO as the exclusive expert in the field. As noted, parties may litigate these issues in federal court without previously exhausting their claims before the TTAB.”).

77. *United States v. W. Pac. R. Co.*, 352 U.S. 59, 63 (1956).

77. *Id.* at 64.

79. *Am. Bakeries Co. v. Pan-O-Gold Co.*, 650 F. Supp. 563, 565–68 (D. Minn. 1986).

80. *See Rhoades*, 504 F.3d at 1163–64 (refusing to stay litigation pending registration proceedings); *Calista Enters. Ltd. v. Tenza Trading Ltd.*, 2013 WL 6080184 (denying motion to stay); *Hanginout, Inc. v. Google*, No.13cv2811 AJB (NLS), 2015 WL 11254689 (S.D. Cal. June 2, 2015) (denying motion to stay); *Vina Casa Tamaya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391, 397 (S.D.N.Y. 2011) (granting motion to dismiss because the “dispute can properly be resolved in the TTAB proceeding already underway”).

81. *Rhoades*, 504 F.3d at 1164.

82. *Am. Bakeries*, 650 F. Supp. at 567 (citing *Driving Force, Inc. v. Manpower, Inc.*, 498 F. Supp. 21, 25 (E.D. Pa. 1980); *Kemin Indus., Inc. v. Watkins Prods., Inc.*, 183 U.S.P.Q. 799 (D. Minn. 1974)).

83. *Rhoades*, 504 F.3d at 1164.

preferable for the TTAB to stay its own proceedings where parallel litigation occurs in the district court.”⁸⁴ Decades of such precedent have led litigants and TTAB judges to rely on the possibility that questions of fact and law may be relitigated in federal court if the parties are dissatisfied with the results before the TTAB.⁸⁵

The Supreme Court’s recent consideration of issue preclusion in *B & B Hardware v. Hargis Industries* is consistent with maintaining de novo review.⁸⁶ The story of the case illustrates the anti-competitive effects that can result from deferring to administrative heuristics. Because it left unchallenged an administrative decision, Hargis ended up being stuck with a loss that conflicted with *two* wins it had litigated in federal court. The story of how that happened began in 1993, when B&B registered “SEALTIGHT” for fasteners used in the aerospace industry.⁸⁷ The previous year, Hargis began using “SEALTITE” for screws used in the construction industry.⁸⁸ The companies’ products did not compete. Nonetheless, B&B sued Hargis for trademark infringement.⁸⁹ Hargis responded by petitioning the USPTO to cancel B&B’s registration, but that proceeding was stayed pending resolution of the litigation in federal court.⁹⁰

At trial, Hargis proved that B&B’s mark was descriptive without secondary meaning, and therefore, not sufficiently distinctive to merit federal trademark registration.⁹¹ Based on the verdict, Hargis should have obtained a judgment cancelling B&B’s federal registration. “[N]either the district court, nor the court of appeals that affirmed the ruling, ordered the PTO to cancel the

84. *Sonora Cosmetics, Inc. v. L’Oreal S.A.*, 631 F. Supp. 626, 629 (S.D.N.Y. 1986) (citing *The Other Tel. Co. v. Connecticut Nat’l Tel. Co.*, 181 U.S.P.Q. 779, 782 (Com’r 1974)), *aff’d*, 795 F.2d 1005 (2d Cir.1986); *Am. Bakeries Co.*, 650 F. Supp. at 568 (denying motion to stay litigation pending the USPTO proceedings).

85. *See, e.g.*, *Swatch AG v. Beehive LLC*, 739 F.3d 150 (after the TTAB found that “SWAP” for watch parts did not infringe “SWATCH” for watches, the Fourth Circuit affirmed that although “the TTAB applies a different standard for actual confusion, the district court properly found on a de novo review of the record” that no infringement or dilution liability was substantiated by the record); *Pro-Football, Inc. v. Blackhorse*, 709 F. App’x 182, 183 (4th Cir. 2018) (directing the district court to reconsider its affirmation of the TTAB’s ordered cancellation of the “REDSKINS” registrations based on 1052(a)); *Specialty Brands, Inc. v. Coffee Bean Distribs.*, 748 F.2d 669, 671 (Fed. Cir. 1984) (reversing the TTAB’s decision finding no likelihood of confusion between “SPICE ISLANDS” and “SPICE VALLEY” marks for tea).

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

87. *Id.* at 1301.

88. SEALTITE, Registration No. 1,797,509 (no longer registered).

89. *B&B Hardware, Inc.*, 135 S. Ct. at 1301.

90. *Id.* at 1302.

91. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 569 F.3d 383, 388 (8th Cir. 2009).

registration, despite that registration's invalidity."⁹²

After the trial, the TTAB lifted the stay on the cancellation proceeding, and Hargis sought to amend its claim to assert that B&B's mark lacked distinctiveness based on the trial court's finding that the mark was descriptive without secondary meaning.⁹³ The motion was denied because, by then, B&B's mark had been sitting on the Principal Register long enough to become incontestable, and therefore, the TTAB concluded that it could no longer be challenged as merely descriptive.⁹⁴

Hargis then applied to register "SEALTTTE" for use with fasteners in the construction industry.⁹⁵ The TTAB found that "SEALTTTE" might lead to confusion with B&B's registered mark and refused to register Hargis's mark.⁹⁶ Hargis did not appeal this decision. While the registration challenges were pending before the USPTO, B&B sued Hargis again for infringement, and again, Hargis won on the merits. This time, the district court found that Hargis's mark was not confusingly similar.⁹⁷ Nonetheless, the Supreme Court held that Hargis's failure to appeal the TTAB decision resulted in issue preclusion because "the usages adjudicated by the TTAB are materially the same as those before the district court."⁹⁸

The Supreme Court was careful to cabin its holding to situations in which there was identical evidence and legal interpretation. The result could have been easily avoided if Hargis had secured cancellation of the B&B mark in the first round of litigation, or if Hargis had appealed the TTAB decision instead of assuming it could not have preclusive effect. The Supreme Court expressly stated that the Hargis saga was not the norm, and that the holding should not apply when the ordinary elements of issue preclusion are absent.⁹⁹ The Court explained:

Although many registrations will not satisfy those ordinary elements, that does not mean that none will. We agree with Professor McCarthy that issue preclusion applies where "the issues in the two cases are indeed identical and the other rules of collateral estoppel

92. Rebecca Tushnet, *Fixing Incontestability: The Next Frontier*, 43 B.U. J. SCI. & TECH. L. 434, 441 (2017).

93. *Sealtite Building Fasteners v. B&B Hardware, Inc.*, No. 92026016 (T.T.A.B. June 13, 2003).

94. SEALTTTE, Registration No. 1,797,509 (no longer registered).

95. *B&B Hardware, Inc.*, 135 S. Ct. at 1301.

96. *Id.* at 1302.

97. *Id.*

98. *Id.* at 1310.

99. *Id.* at 1306.

are carefully observed.¹⁰⁰

Justice Ginsburg joined the majority opinion and wrote a four-sentence concurrence to emphasize that TTAB decisions should not have preclusive effect when they rely on unsubstantiated claims in the Principal Register and not evidence of market use.¹⁰¹ Justice Ginsburg wrote,

The Court rightly recognizes that “for a great many registration decisions issue preclusion obviously will not apply.” That is so because contested registrations are often decided upon “a comparison of the marks in the abstract and apart from their marketplace usage.” When the registration proceeding is of that character, “there will be no preclusion of the likelihood of confusion issue . . . in a later infringement suit.” On that understanding, I join the Court’s opinion.¹⁰²

The Supreme Court’s discussion in *Hargis* suggests multiple reasons why it would not affirm heightened deference to TTAB decisions. In deciding *Hargis*, the Supreme Court expressly mentioned the de novo standard, explaining that the “importance of registration is undoubtedly why Congress provided for de novo review of TTAB decisions in district court.”¹⁰³ The majority also made it clear that when the Principal Register does not match actual market use, issue preclusion should not apply.¹⁰⁴ The Court applied issue preclusion in *Hargis* after finding that the market uses were “materially the same” as those set forth in the Principal Register, but it cautioned that such a result would be inappropriate where the market and Register did not match.¹⁰⁵ The Court noted that “if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue.”¹⁰⁶ Thus, if the TTAB does not consider the marketplace use of the parties’ marks, the TTAB’s decision should “have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.”¹⁰⁷

As set forth in more detail below, it is common USPTO practice to use unsubstantiated claims in the registry in place of market evidence. The next Part demonstrates why federal courts should be especially cautious about deferring to USPTO findings of fact. For the sake of efficiency, examiners often approximate actual market presence through heuristics when making

100. *Id.*

101. *Id.* at 1310.

102. *Id.* (Ginsburg, J., concurring).

103. *Id.*

104. *See id.* at 1308.

105. *Id.*

106. *Id.*

107. *Id.*

trademark registration decisions. For this reason, de novo review in federal court is important to assure that trademark owners have access to a forum that will fully adjudicate registration decisions.

IV. THE USPTO USES HEURISTICS TO EFFICIENTLY REVIEW ITS GROWING VOLUME OF TRADEMARK APPLICATIONS

The USPTO trademark examination process is a model of efficiency. Between 1985 and 2014, the USPTO received 5.9 million applications for a place on the Principal Register.¹⁰⁸ In 2017, the USPTO employed 549 trademark examiners who were tasked with reviewing 594,107 trademark applications.¹⁰⁹ On average, the 2017 data indicate that examiners spent less than two hours on each application.¹¹⁰ In that short window of time, the examiner determines use, distinctiveness, and whether the mark is available or likely to be confused with any of the millions of marks on the Principal Register.¹¹¹ This task is monumental. To streamline this process, the USPTO uses several administrative heuristics in place of examining actual evidence of use, distinctiveness, and availability.

The use of heuristics is not unique to USPTO examiners. It is a necessary feature of human decision-making. In their ground-breaking work, Daniel Kahneman and Amos Tversky explain that people cannot possibly process all available information in making decisions.¹¹² For the sake of efficiency, we use cognitive short-cuts that Kahneman and Tversky call “heuristics.”¹¹³ My use of the term “heuristics” to describe USPTO practices is different in one important respect. While the short-cuts, defined by Kahneman and Tversky and developed by Richard Thaler, Dan Ariely and others, are subconscious, the administrative heuristics defined here are intentional features of USPTO

108. Beebe & Fromer, *supra* note 27, at 952 n.22.

109. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE & ACCOUNTABILITY REPORT FY17 10, 85 tbl.16, 88 tbl.17, 185 tbl.18 (2018).

110. This rough estimate is based on aggregate data and does not take into account the experience of examiners or other variables that may affect the time spent on any particular application. The estimate was based on the following data from the USPTO. Dividing 594,107 applications by 549 examiners results in each examiner reviewing an average of 1082.2 applications. If each examiner had worked fifty weeks per year, each would have reviewed 21.64 applications per week. Assuming a forty-hour work week, each examiner spent an average of 1.85 hours per application.

111. 15 U.S.C. § 1051 (a)(1) (2012).

112. See AMOS TVERSKY & DANIEL KAHNEMAN, JUDGMENT UNDER UNCERTAINTY: HEURISTICS AND BIASES, IN JUDGMENT UNDER UNCERTAINTY 3 (Kahneman et al. eds., 1982).

113. *Id.*

decision-making.¹¹⁴

In order to process the multitude of applications against its growing Principal Register, the USPTO manages the registration process by applying multiple heuristics. These short-cuts and rules of thumb may be essential for administrative efficiency, but they are not an adequate substitute for genuine adjudication. For this reason, de novo review of USPTO decisions is important so that disappointed applicants can get a full hearing before a federal district judge who can take a genuine and deeper look at the facts.

When examiners make registration decisions, they do their best in the limited time they have to review proposed marks for use in commerce, distinctiveness, and availability. An examiner does not have the time or resources on any of these three fact-intensive questions to gather actual market evidence that would normally be proffered if these issues were litigated in court. As explained below, these shortcuts routinely result in decisions that do not match market reality, and, therefore, should not be afforded deference by federal courts. If the USPTO rules of thumb and evidentiary short-cuts are permitted to take the place of actual fact-finding in court, they may lead to systematic failures to examine facts on many core trademark questions. The next Section illustrates many points in the registration process where trademark examiners use heuristics in place of evidence.

A. USE IN COMMERCE HEURISTICS

Actual use of a distinctive symbol on particular goods or services is an essential prerequisite to trademark ownership.¹¹⁵ Unlike patents and copyrights, trademark rights begin and end with use in commerce. Trademarks may be protected for the duration and in the field of the use, and they end when market use ceases. “[A] fundamental tenet of trademark law is that ownership of an inherently distinctive mark . . . is governed by priority of use.”¹¹⁶ The Ninth Circuit Court of Appeals explained that,

114. See generally Christine Jolls et al., *A Behavioral Approach to Law and Economics*, 50 STAN. L. REV. 1471 (1998) (applying behavioral economics principles to legal decision-making, the authors illustrate multiple ways in which subconscious cognitive patterns explain human decision-making); DANIEL ARIELY, PREDICTABLY IRRATIONAL: THE HIDDEN FORCES THAT SHAPE OUR DECISIONS 173 (2008) (illustrating a series of experiments that show how predictably irrational subconscious patterns explain human decision-making).

115. 15 U.S.C. § 1051(a)(1) (“The owner of a trademark used in commerce may request registration of its trademark on the principal register.”); *Id.* § 1127 (defining “use in commerce” to require “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark”).

116. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999).

It is axiomatic in trademark law that the standard test of ownership is priority of use. To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services.¹¹⁷

Before a mark will be registered, an applicant must identify the date on which it first began using the mark in connection with the claimed goods or services.¹¹⁸ Under the Lanham Act's infringement provisions, the first to use a mark may stop "junior" users of confusingly similar symbols.¹¹⁹ Similarly, the Lanham Act bars registration of marks that are likely to cause confusion with marks already on the Principal Register.¹²⁰ And finally, when use ends, trademark rights and registrations should end as well.¹²¹

It would be impracticable for the USPTO to verify actual use in commerce with respect to the millions of currently registered marks and compare them annually, for likelihood of confusion purposes, to actual use of the hundreds of thousands of applications for new marks. To make this task manageable, trademark examiners use USPTO TESS data and quick Internet searches in place of market evidence.¹²² The USPTO does collect some evidence of use in commerce. It requires applicants to submit one specimen showing use of its mark on a product or service in each international class.¹²³ Although an application may claim to use a mark on scores of goods and services in multiple classes, the USPTO will require the applicant to submit proof of use for only

117. *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996).

118. 15 U.S.C. § 1051(a)(2).

119. *Brookfield Comm'ns*, 174 F.3d at 1047; *Union Nat'l Bank v. Union Nat'l Bank*, 909 F.2d 839, 842–43 (5th Cir. 1990); *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1023 (11th Cir. 1989).

120. 15 U.S.C. § 1052(d).

121. *Id.* § 1127 ("A mark shall be deemed to be 'abandoned' . . . when its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. 'Use' of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.").

122. See U.S. PATENT & TRADEMARK OFFICE, *Searching Marks in USPTO Database*, <https://www.uspto.gov/trademarks-getting-started/trademark-basics/searching-marks-uspto-database> [<https://perma.cc/NV4W-7KA4>] (last visited Nov. 11, 2018) ("This search engine allows you to search the USPTO's database of registered trademarks and prior pending applications to find marks that may prevent registration due to a likelihood of confusion refusal.").

123. See 37 C.F.R. § 2.56(a) ("An application under section 1(a) of the Act, an amendment to allege use under § 2.76, and a statement of use under § 2.88 must each include one specimen per class showing the mark as used on or in connection with the goods or services. When requested by the Office as reasonably necessary to proper examination, additional specimens must be provided.").

one item in each class.¹²⁴ If the application matures to registration, all of the claimed goods and services are treated as though they were validated by similar evidence of use. This blanket presumption of validity often gives the mark owner broad national claims to exclusivity that may not be warranted. Consequently, the registration may be overbroad in multiple respects.

First, the registration may cover a broad list of goods and services, even if the mark is used on only a subset of the items identified in the application. The USPTO considers the applicant's sworn affidavit as proof of use and applies that entire statement for the five or ten-year duration of the registration, even if actual use on all or part of the goods and services never occurred or ended after the application was filed. General descriptions of goods and services are presumed to extend trademark rights to all goods and services of the type described.¹²⁵ If a new entrant's goods fall within a broad description in a prior registration, the USPTO presumes that both parties' goods "travel in the same channels of trade to the same class of purchasers."¹²⁶ For example, if a trademark owner describes its goods as "computer programs," that registration will block similar marks for all software. Even if a new entrant narrowly defines its market to clearly indicate its use is so distant from the registrant's that the two would not be confused, the prior mark owners' general description would block the new application.¹²⁷ In this way, broad descriptions create substantial anti-competitive barriers for new applicants.¹²⁸

The second overbreadth problem is that applicants often face obstacles from marks that should no longer be on the registry. Registrations may remain

124. *See id.*; TMEP 1401.02(a) (providing that in 1973, the USPTO adopted the international classification system established by the Committee of Experts of the Nice Union and set forth in the *International Classification of Goods and Services for the Purposes of the Registration of Marks* (Nice Classification) published annually by the World Intellectual Property Organization (WIPO)) (The USPTO adopted the forty-five international classes defined at *Nice Classification*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/classifications/nice/nclpub/en/fr/> [<https://perma.cc/W3AQAN8N>] (last visited Nov. 11, 2018)).

125. *See, e.g.*, *Sw. Mgmt., Inc. v. Ocinomled, Ltd.*, 115 U.S.P.Q.2d (BNA) 1007, 1025 (T.T.A.B. 2015); *In re N.A.D., Inc.*, 57 U.S.P.Q.2d (BNA) 1872, 1874 (T.T.A.B. 2000).

126. *In re Viterra Inc.*, 671a F.3d 1358, 1362, (Fed. Cir. 2012) (quoting *Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261, 1268, (Fed. Cir. 2002)).

127. *See In re Linkvest S.A.*, 24 U.S.P.Q.2d (BNA) 1716 (T.T.A.B. 1992) (where registrant's goods are broadly identified as "computer programs recorded on magnetic disks," without limitation as to the kind of programs or the field of use, it must be assumed that registrant's goods encompass all such computer programs, including computer programs of the type offered by applicant, that they travel in the same channels of trade normal for such goods, and that they are available to all classes of prospective purchasers of those goods) ("[W]ith respect to the goods, the question of likelihood of confusion must be determined on the basis of the goods set forth in applicant's application and those in the cited registration, rather than on what [sic] any evidence may show those goods to be.").

128. *Beebe & Fromer*, *supra* note 27, at 1035.

in the TESS data long after use of the mark has ended. For a trademark registration to endure, its owner must file an affidavit confirming continued use between the fifth and sixth year, and every ten years thereafter.¹²⁹ One obvious problem created by the long lag time between renewals is that these multi-year windows enable registrations to remain alive for years after they are abandoned. Such “deadwood on the register prevents legitimate users from knowing what they can and can’t do.”¹³⁰

A recent USPTO study confirms the severity of this deadwood problem. In response to concerns that the Principal Register is cluttered with registrations of abandoned marks, the USPTO launched a pilot audit program in 2012.¹³¹ The audit’s results unequivocally justified the concerns about clutter.¹³² The USPTO selected a statistically significant sample of 500 marks on the Principal Register and asked each mark owner to verify that it was still using the mark, and if so, to provide specimens documenting use for all the claimed goods and services.¹³³ Approximately half of the mark owners did not submit evidence that they were using the marks as they had claimed in their registrations.¹³⁴ As a result of the audit,

172 of the registrations, or 34%, involved deletions of the goods and/or services queried under the pilot. In another 78 registrations, or 16%, the trademark owner failed to respond to the requirements of the pilot and any other issues raised during examination of the underlying maintenance filing, resulting in cancellation of the registration . . . of the 500 registrations selected for the pilot . . . 250 registrations, or 50%, were unable . . . to verify the previously claimed use.¹³⁵

To continue improving the Principal Register’s integrity, the USPTO made the pilot auditing program permanent. In doing so, it acknowledged that registrations for marks

that are not in use on all registered goods and services may unnecessarily block future applications. They also allow trademark owners to maintain rights they are not entitled to maintain. Because removing these registrations or deleting goods or services not in use

129. See 15 U.S.C. §§ 1059, 1065 (2012).

130. Rebecca Tushnet, *Registering Disagreement: Registration in Modern American Trademark Law*, 130 HARV. L. REV. 867, 869 (2017).

131. See U.S. PATENT & TRADEMARK OFFICE, POST REGISTRATION PROOF OF USE PILOT STATUS REPORT (2015).

132. See *id.*

133. See *id.*

134. See *id.*

135. *Id.*

is crucial for maintaining an accurate register, we made the program permanent.¹³⁶

The USPTO's acknowledgement that the Principal Register does not often mirror use in commerce, resulting in significant overprotection, provides a strong basis for courts to conduct *de novo* review of USPTO likelihood of confusion decisions. Notwithstanding proof that a substantial number of marks should be narrowed or culled from the Principal Register, the USPTO is bound by statute to treat all registrations as valid. The Lanham Act provides that a certificate of federal trademark registration constitutes *prima facie* evidence that the owner has an exclusive right to use the mark in connection with all the goods or services listed in the registration.¹³⁷ Once the registration is affirmed after five years, the mark becomes incontestable, meaning that the registration is deemed to constitute "conclusive evidence" of the mark's validity.¹³⁸ These terms are a bit misleading. Incontestable marks may still be contested. As detailed below, some bars, such as mere descriptiveness, are foreclosed, but incontestable marks remain vulnerable to a number of potential challenges, including abandonment.¹³⁹ What is important for federal courts to note is that in many cases, the federal trademark registration establishes validity for claims that the mark owner may not be able to support with evidence of use in commerce. Therefore, the *prima facie* assumption of validity for registered marks can be a bubble that is easy to burst.

The USPTO's treatment of specimens creates a third set of overbreadth problems related to both use and distinctiveness. For efficiency reasons, the USPTO requires only one specimen for each item among what might be a very long list of products or services in each international class.¹⁴⁰ Yet, the pilot audit established that use often cannot be verified. The USPTO has been inundated

136. *Post Registration Proof of Use Audit Program*, <https://www.uspto.gov/trademarks-maintaining-trademark-registration/post-registration-audit-program#Background> [<https://perma.cc/AGW7-PLFP>] (last visited Nov. 11, 2018); *see also* 37 C.F.R. §§ 2.161(h), 7.37(h).

137. *See* 15 U.S.C. § 1057(b) (2012) ("A certificate of registration of a mark upon the principal register provided by this chapter shall be *prima facie* evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.").

138. *Id.* § 1115(b).

139. *See infra* notes 201–217 and accompanying text.

140. 37 C.F.R. § 2.56 ("An application under section 1(a) of the Act, an amendment to allege use under § 2.76, and a statement of use under § 2.88 must each include one specimen per class showing the mark as used on or in connection with the goods or services.").

with fake or doctored specimens.¹⁴¹ To combat this form of fraud, the USPTO has initiated a pilot program that permits the public to protest improper specimens with objective market evidence.¹⁴² This audit program will hopefully help address the USPTO's concerns that some specimens cannot be supported by evidence of genuine use in commerce.

A fourth overbreadth issue results from the practice of treating one element of a brand as an independent mark even if the specimen indicates that the element is used in connection with more distinctive indicia. An examiner may permit protection for a color, word, phrase, packaging design, or other symbol that, in practice, is distinctive only when used in connection with additional words or other features. The Trademark Manual of Examining Procedure (TMEP) gives a detailed recipe for finding (or creating) a specimen that the USPTO will accept. The TMEP states that:

The more prominently an applied-for mark appears on a web page, the more likely the mark will be perceived as a trademark. A mark may appear more prominent when the specimen:

- presents the mark in larger font size or different stylization or color than the surrounding text;
- places the mark at the beginning of a line or sentence;
- positions the mark next to a picture or description of the goods; or
- uses the "TM" designation with the applied-for mark (however, the designation alone does not transform a mark into a trademark if other considerations indicate it does not function as a trademark).¹⁴³

Mark owners may assert broad claims in words that follow this formula and obtain rights for terms that are not genuinely used in the market as an independent indicator of source. For example, the producers of a courtroom dramatization known as "We the People with Gloria Allred" asserted trademark rights in the phrase "WE THE PEOPLE" for use in connection with a variety of services.¹⁴⁴ In addition to the courtroom drama television services they were actually providing, the application claimed use of the mark

141. Eric J. Perrott, *Doctored Trademark Specimens at the USPTO: Analysis of the Plague of Fake Specimens Threatening to Undermine the Principal Register*, 11 LANDSLIDE (2018).

142. *TM Specimen Protests Email Pilot Program*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/sites/default/files/documents/Specimen%20Protests%20Email%20Pilot%20Program.pdf> [<https://perma.cc/ZU82-C3YX>].

143. TMEP § 904.03(i)(B)(1).

144. WE THE PEOPLE, Registration No. 4,179,972; WE THE PEOPLE, Registration No. 4,836,968; WE THE PEOPLE, Registration No. 4,837,090.

in connection with “providing programs in the field of law.”¹⁴⁵ Because the words “we the people” introduce the preamble of the U.S. Constitution, they symbolize a unifying American vision of citizenry joined by foundational principles of law. For this reason, the USPTO should have questioned whether the applicant developed exclusive rights to the phrase “WE THE PEOPLE” for *all* programs related to law.¹⁴⁶ The show submitted the following specimen in support of the application:¹⁴⁷



Gloria Allred Shows Who's Boss

As a household name for high-profile cases like O.J. Simpson and Michael Jackson, Judge Gloria Allred stars in her own courtroom series that streamlines cutthroat cases and legal battles. With three Emmy® Nominations and thirty-seven years of legal experience, Judge Allred is a fearless legal powerhouse who never fails to lay down the law.

Although the application asserted trademark claims in the phrase “we the people,” the specimen shows use of the words in a longer phrase that includes the more commercially distinctive words: “with Gloria Allred.”¹⁴⁸ Review of the specimens should have led the examiner to question whether “we the

145. WE THE PEOPLE, Registration No. 4,179,972.

146. WE THE PEOPLE, Registration No. 4,179,972. The phrase, without any qualifiers, has also been registered for cigars, firearms, bicycles, and coffee. Registration Nos. 5,241,608 (cigars), 4,140,724 (bicycles), 4,489,575 (firearms), and 4,757,223 (coffee).

147. WE THE PEOPLE, Registration No. 4,179,972 (specimen submitted in color on April 18, 2018).

148. WE THE PEOPLE, Registration No. 4,179,972; WE THE PEOPLE, Registration No. 4,836,968; WE THE PEOPLE, Registration No. 4,837,090.

people” was used independently of other indicia as an independent source identifier.¹⁴⁹ The examiner likely accepted the alleged use because the words “we the people” followed the rules set forth in the TMEP indicating that use as a mark is indicated when the claimed mark is depicted in “larger font size or different stylization or color than the surrounding text.”¹⁵⁰ This example illustrates how literal application of the agency’s guidelines with regard to size of text and font can lead to overprotection when the guidelines are used in place of an actual examination of distinctiveness. A more careful review would have inquired into whether the words “we the people” create a distinct commercial impression apart from the words “with Gloria Allred.” In one instance, all six words appear together in the same font. Because another part of the specimen technically conformed to the TMEP’s guidelines by showing the claimed mark in a different font, the Applicant secured the registration without offering any evidence that it uses the ubiquitous American phrase “we the people” as a distinct and independent mark.¹⁵¹ The file suggests that the examiner conformed to agency heuristics without actually examining the “prime question [of] whether the designation . . . as actually used, will be recognized in and of itself as an indication of origin.”¹⁵²

Given that the USPTO does not collect evidence documenting the use of a mark on the entire scope of goods and services listed in applications, trademark registrations will often be broader than actual uses in commerce. Therefore, courts should be especially cautious in deferring to registration decisions and TTAB conclusions based on the same heuristics for use that are employed by the examiners. The Gloria Allred “WE THE PEOPLE” example indicates that administrative shortcuts may afford a mark protection even if no evidence is presented that the particular mark is used independently of other symbols appearing on the specimen. Notwithstanding its place on the Principal Register, a reasonable trier of fact may find that consumers never perceived “WE THE PEOPLE” to be distinctive of this show, and in any event, could find that since the show ended in 2012, the mark is no longer in use.¹⁵³ Nonetheless, the registration remains live in 2018. Others offering services in the field of law may seek to use this phrase, and to preserve their right to do so, courts should be able to engage in *de novo* review of the facts and conclusions of law that were quickly made before the registration was issued.

149. See WE THE PEOPLE, Registration No. 4,179,972; WE THE PEOPLE, Registration No. 4,836,968; WE THE PEOPLE, Registration No. 4,837,090.

150. TMEP § 904.03(i)(B)(1).

151. See *id.*

152. See MCCARTHY, *supra* note 14, at § 7:2.

153. See *We the People with Gloria Allred*, IMDB, <https://www.imdb.com/title/tt1826567/> [<https://perma.cc/3GSN-H6VK>] (last visited Nov. 11, 2018).

B. DISTINCTIVENESS HEURISTICS

For a trademark to be protected under the Lanham Act, it must be “distinctive,” meaning that it must signal to consumers that the product or service comes from a particular company.¹⁵⁴ Every time the USPTO reviews a trademark application, an examiner must put the proposed mark in one of two categories: (1) inherently distinctive and, therefore, automatically registrable, or (2) registrable only if the applicant submits proof that the mark is perceived as distinctive. A mark may be categorized as “inherently distinctive” if consumers would immediately recognize it as a brand. A made-up word (like Mipso for a musical group) would be inherently distinctive because the word has no meaning apart from referencing its source.¹⁵⁵ Other marks must acquire distinctiveness through use over time.¹⁵⁶ In order to protect competitors’ rights to use words describing their goods and services, marks consisting of descriptive words (such as American Airlines, Park-N-Fly, or University of North Carolina) could not be protected until consumers perceived them as distinctive. Even if they do become marks, the descriptive fair use defense protects competitive use of the words in descriptive text.¹⁵⁷

The better category—for ease of registration—is inherent distinctiveness. These symbols automatically signal to consumers that they are marks.¹⁵⁸ If a mark is deemed inherently distinctive and is available, it will be admitted to the Principal Register without any proof of how it is perceived by consumers.¹⁵⁹ When an examiner finds that a symbol is not automatically distinctive as a source identifier, the examiner will require the owner to demonstrate “acquired distinctiveness” before registration will be permitted.¹⁶⁰ Trademark applications in this category will be denied registration unless the Applicant submits evidence of acquired distinctiveness, which is also known as “secondary meaning.”¹⁶¹ Collecting direct evidence of trademark meaning would require the time and effort to obtain consumer testimony or conduct a survey of consumer reactions to a brand.¹⁶²

In reviewing trademark applications, examiners classify marks on a distinctiveness spectrum, often using the rubric set forth in *Abercrombie & Fitch v. Hunting World, Inc.*¹⁶³ Marks that are “fanciful, arbitrary, and suggestive” in

154. See 15 U.S.C. § 1052 (2012).

155. See MCCARTHY, *supra* note 14, at § 11.4.

156. See *id.* §§ 11.2, 11.4.

157. See 15 U.S.C. § 1115(4).

158. See MCCARTHY, *supra* note 14, at § 11.4.

159. *Id.*

160. *Id.* § 15.1.

161. *Id.*

162. See *id.* § 15.30.

163. 537 F.2d 4, 9–11 (2d Cir. 1976).

relation to the claimed goods or services will be classified as inherently distinctive because they are thought to automatically signal brand meaning.¹⁶⁴ When an examiner puts a mark in one of these three categories, the USPTO will automatically register it without any proof of acquired distinctiveness.¹⁶⁵

Fanciful marks are those that were invented for the purpose of being a unique brand, and therefore are thought to clearly convey a trademark message because they have no other known meaning.¹⁶⁶ Examples of fanciful marks include Pepsi, Xerox, and Claritin.¹⁶⁷ They are the platinum standard, created to convey nothing but trademark significance.¹⁶⁸ The second-highest category on the distinctiveness spectrum are arbitrary marks which use common words in unexpected ways.¹⁶⁹ Examples include “Ivory” for soap and “Apple” for computers.¹⁷⁰ Both fanciful and arbitrary marks are relatively easy to classify for examiners who may use dictionaries to confirm whether they fit in one of these two categories.¹⁷¹

Suggestive marks constitute the third category considered inherently distinctive. These marks evoke a quality of the goods and services without directly describing them. Suggestive marks sit just above the line of inherent distinctiveness because they are neither arbitrary nor clearly descriptive.¹⁷² One commonly cited definition of the critical line dividing suggestive from descriptive marks states that “[a] term is suggestive if it requires imagination, thought and perception to reach a conclusion as to the nature of goods. A term is descriptive if it forthwith conveys an immediate idea of the ingredients, qualities or characteristics of the goods.”¹⁷³ For example, “NIKE” has been

164. MCCARTHY, *supra* note 14, at § 11.4 (“Fanciful, arbitrary and suggestive words used as marks are regarded as being ‘inherently distinctive.’”).

165. *Abercrombie & Fitch*, 537 F.2d at 11.

166. See 15 U.S.C. § 1052(e) (2012) (“No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it . . . [c]onsists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive.”).

167. *U.S. Hosiery Corp. v. Gap, Inc.*, 707 F. Supp. 800, 812 (W.D.N.C. 1989) (providing “Pepsi” or “Exxon” as examples of “coined, purely fanciful, words”).

168. See *Abercrombie & Fitch*, 537 F.2d at 11.

169. *Id.* at 10 n.12.

170. See *id.* at 9 n.6.

171. See, e.g., *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondée En 1772*, 396 F.3d 1369, 1372 (Fed. Cir. 2005) (VEUVE—meaning WIDOW in French—held to be “an arbitrary term as applied to champagne and sparkling wine, and thus conceptually strong as a trademark”).

172. See *Abercrombie & Fitch*, 537 F.2d at 10.

173. *Id.* at 11 (citing *Stix Prods. v. United Merchs. & Mfrs., Inc.*, 295 F. Supp. 479, 488 (S.D.N.Y. 1968)).

classified as suggestive for athletic clothing and equipment.¹⁷⁴ One who first saw a product labeled Nike (before it became more famous than its mythological namesake) would not directly know anything about the product from the name. Nonetheless, a consumer familiar with the mythological reference might imagine a product or service that had something to do with flight, speed, wings, or victory. The category of suggestive marks is notoriously difficult to define. Even leading trademark commentators concede that this question of fact is irredeemably subjective.

The next category of symbols sits just below those that are suggestive and are unified in what they cannot be: inherently distinctive. These marks do not automatically signal their source but may acquire distinctiveness through market use that results in consumer brand recognition. The Lanham Act puts descriptive words, surnames, and truthful geographic references in this category of marks, for which the applicants must demonstrate distinctiveness.¹⁷⁵ Marks consisting of a single color (independent of other design elements or text) and product designs also must have secondary meaning before they may be registered.¹⁷⁶ Section 2(f) of the Lanham Act bars these marks from the Principal Register unless the applicant proves that the mark has become distinctive for the claimed goods and services.¹⁷⁷

A word mark or design may be classified as descriptive if it references any feature of the claimed goods and services, such as an ingredient, flavor, quality, characteristic, function, purpose, or use of the specified goods or services.¹⁷⁸ Examples of marks held to be descriptive include: “Frosty Treats” for frozen desserts,¹⁷⁹ “New York Fashion Week” for a week dedicated to fashion shows in New York City,¹⁸⁰ and “Wounded Warrior Project” for a charity dedicated to wounded veterans.¹⁸¹ Before descriptive words or colors may be registered, the USPTO requires the applicant to demonstrate that the symbol conveys brand-specific meaning.

174. Nike, Inc. v. Nikepal Int'l, Inc., No. 2:05-CV-1468-GEB-JFM, 2007 WL 2782030, at *7 (E.D. Cal. Sept. 18, 2007) (finding that “NIKE is, at the very least, suggestive”).

175. See 15 U.S.C. § 1052(e)(1), (2), (4) & (f) (2012).

176. See *Qualitex Co. v. Johnson Prods. Co.*, 514 U.S. 159 (1995) (holding that color can be registered as a trademark to the extent that it met the ordinary requirements); see also *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205 (2000) (holding that product's design has to acquire secondary meaning to prove its distinctiveness).

177. 15 U.S.C. § 1052(f).

178. See *In re Gyulay*, 820 F.2d 1216 (Fed. Cir. 1987) (holding that “apple pie” was merely descriptive of potpourri).

179. See *Frosty Treats, Inc. v. Sony Comput. Entm't Am., Inc.*, 426 F.3d 1001 (8th Cir. 2005).

180. See *Fashion Week, Inc. v. Council of Fashion Designers of Am., Inc.*, No.16-cv-5079 (JGK), 2016 WL 4367990 (S.D.N.Y. Aug. 12, 2016).

181. See *WWP, Inc. v. Wounded Warriors, Inc.*, 566 F. Supp. 2d 970 (D. Neb. 2008).

The line between suggestive and descriptive marks is “blurry” and so subjective that decision makers must be careful “to follow something more objective than a spontaneous, ‘gut-reaction’ test.”¹⁸² There is nothing precise or scientific about this process. If a mark sits on the line between suggestive and descriptive, the classification decision will be so unpredictable that no two decision makers can be expected to replicate each other’s results. “[W]hen almost indistinguishable semantic pigeon-holes are constructed and labelled ‘descriptive’ and ‘suggestive,’ no two human beings, including judges, will place a given set of marks into the same category.”¹⁸³ Consequently, many descriptive marks will slip through as suggestive and register without any evidence that they are perceived by consumers as commercially distinctive.

The final category of generic terms and functional features sits just below the trademark floor and are barred from registration. Generic words may not be registered at all because they say what a product is, not who sells it.¹⁸⁴ Unlike descriptive words, which may overcome this bar by proof that consumers perceive the term as distinctive, no amount of consumer recognition can turn a generic word into a protectable trademark.¹⁸⁵ A combination of generic words may be found generic and unregistrable if the combination does not communicate source to consumers.¹⁸⁶ For example, “CloudTV” was held generic for video services provided over the Internet,¹⁸⁷ and “Coffee Flour” was deemed generic for flour made from coffee beans.¹⁸⁸ The policies of protecting free expression and promoting fair competition justify the distinctiveness requirement for registering descriptive terms and the bar against registering generic terms.

The pivotal classification decision is wholly based on the examiner’s perception of the symbol and understanding of the market. The “lines of demarcation” between each category are “not always bright.”¹⁸⁹ The examiners develop expertise in making these decisions, but due to the subjective nature of the analysis, the limited experience and resources of each examiner, and ever-expanding new markets, administrative trademark decisions will not

182. MCCARTHY, *supra* note 14, at § 11:71.

183. *Id.* § 11:70.

184. *See* *Filipino Yellow Pages, Inc. v. Asian Journal Publ’ns, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999) (“[T]he name of the product or service itself—what [the product] is, and as such . . . the very antithesis of a mark.”).

185. *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1975) (explaining “that even proof of secondary meaning, by virtue of which some ‘merely descriptive’ marks may be registered, cannot transform a generic term into a subject for trademark”).

186. *See In re Dial-A-Mattress Operating Corp.*, 240 F.3d 1341, 1345 (Fed. Cir. 2001).

187. *See In re ActiveVideo Networks, Inc.*, 111 U.S.P.Q.2d (BNA) 1582 (T.T.A.B. 2014).

188. *See In re Empire Tech. Dev. LLC*, 123 U.S.P.Q.2d 1544 (BNA) (T.T.A.B. 2017).

189. *Abercrombie & Fitch Co.*, 537 F.2d at 9.

always reflect market reality. Words that sit on the border between suggestive and descriptive, or descriptive and generic, are especially vulnerable to becoming registered without any evidence that they actually send a distinctive signal. In order for the USPTO to get these tough decisions made efficiently and with some consistency across individual examiners, it has developed heuristics, or short-cuts, that examiners use as proxies for marketplace evidence.

1. *Availability*

Examiners often use availability in the USPTO's TESS data as a heuristic for distinctiveness. When a claimed mark consisting of one or more descriptive words is not on the Principal Register, the examiner may conclude that the mark is distinctive. When examiners use TESS availability in this way, as a proxy for distinctiveness, the risks of overprotection and anticompetitive harm increase. Such risks may be especially salient when the USPTO evaluates trademark applications for new technologies or products.

For example, the creator of stomp rockets applied to register the name of its toy which propels a rocket when a child stomps on a launching device.¹⁹⁰ The USPTO issued an office action asserting that the word “rocket” was descriptive and required a disclaimer. No one else had registered the combination of these two descriptive words. The USPTO permitted “STOMP ROCKET” to register without proof of secondary meaning.

When Sears and JC Penny tried to sell their own branded stomp rockets, the owner of the federal trademark registration sued.¹⁹¹ The district court deferred to the “facts” set forth in the registration and pushed aside evidence that “stomp rocket” had become the generic name for this type of toy. The court grounded its validity analysis on the finding that “the USPTO did not request from Plaintiff evidence of secondary meaning . . . [and] [s]ignificant weight must be attached to this registration and this Court must infer that the USPTO concluded that the marks were, at the least, suggestive.”¹⁹² Given that both words were descriptive of core product features, it is unclear why the examiner did not require evidence of secondary meaning. Yet, instead of questioning that initial subjective judgment call, the federal district court deferred to it and prohibited the competitors from using the words that would convey to consumers what the product is. The anticompetitive effects of such decisions can be avoided if courts routinely review the facts de novo rather

190. STOMP ROCKET, Registration. No. 2,221,554 (“[T]oys, namely, flying winged tubes and structural parts therefor . . .”).

191. *See* JFJ Toys, Inc. v. Sears Holdings Corp., 237 F. Supp. 3d 311, 319–20 (D. Md. 2017).

192. *Id.* at 330 (internal citations omitted).

than according deference, especially in situations where the examiner's decision was not based on evidence but on a subjective call favoring one side of a blurry line. A proper application of the de novo standard would protect competitors and consumers against such anticompetitive results.

Dictionaries constitute another source used to determine distinctiveness. If a word (or combination of words) appears in many TESS marks and in the dictionary it may be considered descriptive and not distinctive. Unfortunately, examiners may also conclude that the opposite is true and use absence in a dictionary as a heuristic for inherent distinctiveness. If a word does not appear in a dictionary, it may be found to pass the "dictionary test" and be deemed not descriptive.¹⁹³ However, new words and combinations of words should be evaluated for distinctiveness even if they do not yet appear in dictionaries. The absence of a word in a dictionary or a definition that includes only a term's trademark meaning may indicate that the term has not yet been vetted by lexicographers or that an entry was altered or deleted after the dictionary's publisher received a cease and desist letter.¹⁹⁴ Third party registrations that include the term in question may also be used as a heuristic for nondescriptiveness.¹⁹⁵

The STOMP ROCKET example illustrates how the availability heuristic can make an examiner's job easier, but can interfere with market competition later.¹⁹⁶ If a word mark does not fail any of the typical tests by appearing in a dictionary or descriptive text used by the applicant or competitors, the consequential impression of availability becomes a heuristic to support

193.

[T]he dictionary definition of the word is an appropriate and relevant indication 'of the ordinary significance and meaning of words' to the public A third test used by courts and commentators to classify descriptive marks is "whether competitors would be likely to need the terms used in the trademark in describing their products.

See Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 792–93 (5th Cir. 1983). A descriptive term generally relates so closely and directly to a product or service that other merchants marketing similar goods would find the term useful in identifying their own goods.

194. Deborah R. Gerhardt, *Consumer Investment in Trademarks*, 88 N.C. L. REV. 427, 494–99 (2010).

195. *See MCCARTHY*, *supra* note 14, at § 11.20. ("Third party mark registrations may in some cases support the argument that a designation is not descriptive. The fact that the USPTO registered a number of marks containing the same designation without requiring proof of secondary meaning is some evidence that the PTO considers the designation not descriptive.")

196. *JFJ Toys, Inc. v. Sears Holdings Corp.*, 237 F. Supp. 3d 311, 333(D. Md. 2017). (finding that the claim "Stomp Rocket" had become generic was undermined by the fact that the words did not appear together in Webster's Third New International Dictionary).

nondescriptiveness.¹⁹⁷

Words that describe the product or its purpose should be classified as descriptive and require proof of distinctiveness to qualify for trademark registration. But multiple heuristics permit marks to register with circumstantial evidence of distinctiveness or no evidence at all. USPTO examiners should remember the Supreme Court's directive that, in close calls, one should err on the side of requiring proof of distinctiveness.¹⁹⁸ When the examiner makes a call in favor of inherent distinctiveness, a symbol may immediately, albeit incorrectly, obtain the presumption of validity afforded to marks on the Principal Register. De novo review would preserve the opportunity to correct such results.

2. *Incontestability*

The automatic ripening from registration to incontestability compounds the risks of overprotecting marks that are not factually defensible as distinctive source identifiers. While the registration ages, the term may not become more distinctive. Nonetheless, if renewed, the registration will automatically become incontestable and more difficult to undo. Marks that obtain registration are immediately cloaked with a statutory presumption of validity. A USPTO decision to "register a mark without requiring proof of secondary meaning affords a rebuttable presumption that the mark is suggestive or arbitrary or fanciful rather than merely descriptive."¹⁹⁹ New evidence may be necessary to undo a registration decision, even one made based on incomplete, subjective, or faulty assumptions.

After five years, if the mark owner reapplies for registration, the mark will automatically become "incontestable" and can no longer be cancelled on the basis of being merely descriptive.²⁰⁰ Incontestability provides a heightened presumption of validity over other registrations. The Lanham Act provides that incontestability is "conclusive evidence of the validity of . . . the registrant's exclusive right to use the registered mark in commerce."²⁰¹ Therefore, a mark's presence on the Principal Register becomes an administrative heuristic for evidence of distinctiveness even if no evidence was

197. See, e.g., *Yamaha Corp. of Am. v. Ryan*, CIV. A. 89-5574-R., 1989 WL 167604, at *3 (C.D. Cal. Nov. 6, 1989) ("MUSICSOFT can be considered an arbitrary mark since it is not found in any English dictionary.").

198. See *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 215 (2000) (stating in the trade dress context, that in "close cases, we believe that courts should err on the side of caution and . . . thereby requiring secondary meaning").

199. *Abercrombie & Fitch v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1975).

200. See 15 U.S.C. §§ 1065, 1115(b) (2012).

201. *Id.* § 1115(b).

ever put before the USPTO.²⁰²

In a study of trademark incontestability, Professor Rebecca Tushnet concluded that “no one should be made better off by providing inaccurate information to the PTO. Unfortunately, it is currently possible to benefit from doing so.”²⁰³ Despite the power and strength incontestability confers, no substantive examination occurs at this point in the registration process.²⁰⁴ An affidavit containing the required information and attesting to a claim of continuous use is all that is required, and the heightened status is conferred automatically.²⁰⁵ “Incontestability’s main bite is in preventing any challenge to the registration on the grounds that the mark lacks secondary meaning”²⁰⁶

Once incontestable status has been achieved, a competitor may only use the word if it can establish that the mark is generic or that its use falls under a fair use defense.²⁰⁷ Both strategies may involve expensive litigation.²⁰⁸ If courts review USPTO classification decisions *de novo*, a competitor who wants to fight for the opportunity to use descriptive words will have some avenue to assert such a claim. The Lanham Act permits courts to question incontestability decisions,²⁰⁹ and given the heuristics used in the registration process, they should not hesitate to do so.

To ensure fair competition and free expression in the use of descriptive words, the federal judiciary should not give up their authority on this issue. Judges should also use their power to order corrections to the Principal Register in appropriate circumstances. For example, a district court narrowed

202. Tushnet, *supra* note 92, at 435–36.

203. Tushnet, *supra* note 92, at 455.

204. *See id.* at 436, 450; MCCARTHY, *supra* note 14, at § 19:140; TMEP § 1605.

205. Tushnet, *supra* note 92, at 440–46 (documenting clear errors in USPTO conferring incontestable status).

206. *Id.* at 438.

207. The Lanham Act limits trademark rights in descriptive terms. In addition to being more difficult to obtain, these trademarks are more difficult to enforce. They are subject to the descriptive fair use defense defined in the Lanham Act as “use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin.” 15 U.S.C. § 1115(b)(4) (2012). *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 122 (2004) (holding that “the common law’s tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first”).

208. *See* Tushnet, *supra* note 92, at 439.

209. *See id.* at 450 (quoting *Fed. Treasury Enter. Sojuzplodoimport v. Spirits Int’l. N.V.*, 623 F.3d 61, 63 (2d Cir. 2010) and asserting that an incontestable registration “does not prevent courts from asking whether a claimant is in fact entitled to its benefit”).

Louboutin's registration of a red undersole for shoes.²¹⁰ In its application, Louboutin claimed the exclusive right to use red on the undersole of shoes, irrespective of the color of other portions of the shoe.²¹¹ It sued Yves Saint Laurent, not for providing a similar contrasting pop of red, but for an entirely red shoe.²¹² After evaluating the evidence, the district court ordered the USPTO to narrow the registration to situations where Louboutin actually had proof of distinctiveness: an undersole that contrasted with the upper portions of the shoe.²¹³ Litigants who go to the trouble of obtaining such relief in federal courts should remember to petition the USPTO to cancel or narrow the registration. As the SEALTIGHT saga demonstrates, if they do not, they may later be stuck with results based on the Principal Register and lose all that was gained in litigation.²¹⁴

C. LIKELIHOOD OF CONFUSION HEURISTICS

In addition to use and distinctiveness, the USPTO must also determine whether a symbol is confusingly similar to any previously registered marks. If so, section 2(d) of the Lanham Act bars registration.²¹⁵ Two-thirds of all applications must overcome at least one USPTO office action, and "likelihood of confusion" is the most common basis asserted. When a new entrant responds that the cited mark is no longer in use, the USPTO will generally treat evidence of actual market use as irrelevant. A junior user may claim that a senior mark owner has abandoned its mark, and therefore the junior user's mark should be registered. This argument could win in court, but it will always fail before the USPTO because trademark examiners cannot consider evidence that market use does not match claims made in existing registrations.²¹⁶ When new entrants assert that a mark is not actually in use as claimed in a prior registration, examiners respond with the following standard text, "[w]ith

210. *See* Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc., 696 F.3d 206 (2d Cir. 2012).

211. *See id.* at 213.

212. *Id.*

213. The mark consists of a red lacquered outsole on footwear that contrasts with the color of the adjoining ("upper") portion of the shoe, Registration No. 3,361,597.

214. *See supra* notes 88–101 and accompanying text.

215. 15 U.S.C. § 1052(d) (2012):

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it . . . [c]onsists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.

216. *See* TMEP § 1207.01(a)(iii).

respect to applicant's and registrant's goods and/or services, the question of likelihood of confusion is determined based on the description of the goods and/or services stated in the application and registration at issue, not on extrinsic evidence of actual use.²¹⁷

There are, of course, many good reasons why the USPTO treats claims in registrations as presumptively valid. The Lanham Act requires them to do so. The presumption of validity protects the rights of mark owners who are not parties to pre-publication application proceedings, and therefore, are not present to defend their intellectual property. Any mark on the Principal or Supplemental Registers may be cited in an office action as evidence of a prior mark that should bar a new mark that is confusingly similar. These proceedings involve only the USPTO and the applicant. The owners of the cited marks are not present to defend attacks against the facts stated in their mark's federal registration.²¹⁸ In registration proceedings, due process concerns prevent new entrants from challenging current registrations with marketplace evidence that would be used in court. The trademark registration system has two mechanisms available to mark owners who think their trademark rights might be harmed by a new entrant. If the USPTO permits the applicant's mark to publish or register, those harmed by such a decision may later challenge it through a post publication opposition or post registration cancellation proceeding.²¹⁹

The unfortunate consequence of this practice is that it burdens new entrants with the necessity of clearing the deadwood from the Principal Register. They must file separate cancellation proceedings against each cited mark in order to challenge the breadth of goods and services or continued use of the cited registrations. Each of these proceedings would be time-consuming and expensive. A more efficient practice would require the mark owners to submit proof of continued use to the USPTO if a new entrant provides evidence of abandonment.

Federal courts should be mindful of the limited likelihood of confusion analysis that happens at the USPTO. In determining whether a mark is

217. Office Action (Official Letter), U.S. Patent & Trademark Office, About Applicant's Trademark Application, U.S. Application Serial No. 86,124,578 (Apr. 2, 2014 5:43:50 PM); see *Stone Lion Capital Partners, L.P. v. Lion Capital LLP*, 746 F.3d 1317, 1323 (Fed. Cir. 2014); TMEP § 1207.01(a)(iii) ("The nature and scope of a party's goods or services must be determined on the basis of the goods or services recited in the application or registration.").

218. See *Eco Mfg. LLC v. Honeywell Int'l, Inc.*, 295 F. Supp. 2d 854, 865 (S.D. Ind. 2003), *aff'd*, 357 F.3d 649 (7th Cir. 2003) (rejecting Honeywell's request to defer to the TTAB's decision because "the TTAB made its decision in an *ex parte* proceeding, without the benefit of a true adversary who had a strong incentive to present—and the ability to find—evidence that would have undermined Honeywell's arguments").

219. TMEP §§ 1503.03, 1607.

available, the USPTO relies on its registry instead of actual use in commerce. Accordingly, federal courts should remember that many “likelihood of confusion” decisions made by the USPTO are not based on evidence of market use. Instead, the USPTO uses bare allegations from the Principal Register that, when audited, often cannot be substantiated.²²⁰

In an *ex parte* registration proceeding, the USPTO and the TTAB do not have the authority to limit or cancel third-party marks that are not used as stated on the Principal Register. In trademark infringement cases, federal courts do have that authority and, as a result, should not defer to administrative decisions by the USPTO or TTAB which lack such powers. Section 37 of the Lanham Act empowers federal courts to cancel all or part of a trademark registration when evidence indicates that a symbol has become generic.²²¹ When federal courts use this power, they ensure that administrative heuristics do not undermine the foundational trademark policy of supporting fair competition by assuring that no one can maintain a monopoly on a mark that is no longer in use.²²²

V. THE DYNAMIC NATURE OF TRADEMARKS PROVIDES AN ADDITIONAL REASON TO AVOID DEFERENCE

The dynamic nature of trademarks is another reason why federal courts should avoid deferring to the USPTO. Trademark rights expand and contract as a function of constantly changing market dynamics. In stark contrast, other forms of intellectual property have neatly ordered lives. They are created; they last for a set term of years, and then they expire, permitting the underlying work to enter the public domain. A copyright term begins when original expression is fixed and generally lasts for the author’s life plus seventy years.²²³ When it expires, the work enters the public domain.²²⁴ Utility patents have a

220. *See supra* notes 88–101 and accompanying text.

221. *See* 15 U.S.C. § 1119 (2012).

222. *See* *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97, (1918) (holding that “[t]here is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another’s product as his; and it is not the subject of property except in connection with an existing business”).

223. 17 U.S.C. §§ 102, 302–305 (2012) (providing that contemporary copyrights endure for the “life of the author and 70 years after the author’s death” or for works made for hire, “the copyright endures for a term of 95 years from the year of its first publication, or a term of 120 years from the year of its creation, whichever expires first”).

224. *See id.* §§ 302–305.

similar linear life that is generally limited to twenty years from the date of application if the USPTO ultimately finds that the invention is patentable.²²⁵ Both patent and trade secret protection may be foreclosed by public disclosures made in the patent application process. When a patent application is denied, the claimed invention enters the public domain.²²⁶ Rights of publicity generally expire when the celebrity dies or within a term of years afterwards.²²⁷ Once these fixed intellectual property terms end, the names, expressive works, and inventions enter the public domain and become freely available for public use unless they also infringe a trademark right.

Trademarks are different. They begin with use in commerce, not creation or a federal grant of exclusivity.²²⁸ Trademarks do not need to be novel or original to merit protection. Unlike patents, copyrights, and rights of publicity, trademarks have no set expiration date.²²⁹ If carefully tended, they can last forever.²³⁰ Rather than decreasing in value over time as a work gets close to entering the public domain, trademark strength can increase indefinitely. A long history of use is one metric thought to support a mark's strength.²³¹ If well curated, trademark rights may become more robust over time and last forever.²³²

Like other forms of intellectual property, trademarks are still vulnerable to challenges. The Lanham Act expressly provides for the possibility of a

225. See 35 U.S.C. § 154(a)(2) (2012) (providing that utility patents are in effect “for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States”).

226. See *id.* § 102(a) (providing that a “person shall be entitled to a patent unless . . . the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention . . .”); see also *Rototron Corp. v. Lake Shore Burial Vault Co.*, 712 F.2d 1214, 1215 (7th Cir. 1983) (stating that because the issuance of a patent allowed knowledge to pass into the public domain a patent signified public disclosure and precluded trade secret protection); *Scharmer v. Carrollton Mfg. Co.*, 525 F.2d 95, 99 (6th Cir. 1975) (holding that a patent constitutes public disclosure after which any “property right in a trade secret” is extinguished).

227. See, e.g., CAL. CIV. CODE § 3344.1 (West 2012) (right of publicity claims may “not be brought under this section by reason of any use of a deceased personality’s name, voice, signature, photograph, or likeness occurring after the expiration of 70 years after the death of the deceased personality”).

228. See 15 U.S.C. § 1058 (2012); 17 U.S.C. §§ 302–305 (2012); 35 U.S.C. § 154.

229. See 15 U.S.C. § 1058; 17 U.S.C. §§ 302–305; 35 U.S.C. § 154.

230. See 15 U.S.C. § 1058.

231. See *In re Mogen David Wine Corp.*, 372 F.2d 539, 543 (C.C.P.A. 1967) (noting that unlike patent law, “trademark law . . . provides for the grant of rights to the trademark owner for an indefinite time period”).

232. See *Krueger Int’l, Inc. v. Nightingale Inc.*, 915 F. Supp. 595, 605 (S.D.N.Y. 1996) (“Trademark rights last for an indefinite period, depending on the strength and duration of the public’s recognition that the mark identifies the producer’s goods.”); 15 U.S.C. §§ 1058, 1059.

registered mark to lose its protection at “*any time*.”²³³ Notwithstanding the strong presumption of validity for all registered marks, they are all subject to cancellation.²³⁴ Federal registrations will expire if the owner does not file an affidavit alleging continued use at each renewal interval and may be cancelled for a number of additional reasons.²³⁵ Marks that have not achieved incontestable status (those in the first five years of their registered life) may also be challenged for any reason listed in section 2 of the Lanham Act, such as the claim that a mark is merely descriptive and has not acquired secondary meaning.²³⁶ Although the Lanham Act provides that an incontestable registration is “conclusive evidence” of the facts in a registration certificate, even these registrations may be cancelled if the mark is abandoned, becomes generic or functional, or if the registration was obtained fraudulently.²³⁷ Failure to use a mark for three years without an intent to resume use constitutes *prima facie* evidence of abandonment.²³⁸ A registration may also be cancelled if the applicant made fraudulent claims in its application.²³⁹

Word marks that were once distinctive sometimes become the generic name for a product, and then can no longer maintain a place on the Register.²⁴⁰ The Lanham Act classifies this cessation of rights as abandonment, even though the loss may be caused as much by competitors and consumers as the mark owners themselves.²⁴¹ If a word answers the question “What are you?” it has become the generic name of a product and may not be protected as a mark.²⁴² If, however, the word answers the questions “Who are you?” or “Who vouches for you?” it may be protected as a trademark.²⁴³ Examples of marks that were once federally registered but were cancelled by a federal court on the basis that they became generic include “YO-YO,” “ASPIRIN,”

233. *See* 15 U.S.C. § 1064 (providing that a registration may be cancelled “[a]t any time if the registered mark becomes the generic name for the goods or services”).

234. *See id.*

235. *See id.* § 1059.

236. *Id.* § 1064.

237. *Id.*

238. *Id.* § 1127.

239. *Id.* § 1064.

240. *See id.*; *Anti-Monopoly, Inc. v. Gen. Mills Fun Grp.*, 611 F.2d 296, 304 (9th Cir. 1979) (“If the primary significance of the trademark is to describe the type of product rather than the producer, the trademark has become a generic term and is no longer a valid trademark.”).

241. *See* 15 U.S.C. § 1064(3) (“The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name . . .”).

242. *Filipino Yellow Pages, Inc. v. Asian Journal Publ’ns, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999).

243. *Id.*

“ESCALATOR,” “TRAMPOLINE,” and “SUPER GLUE.”²⁴⁴

In addition to words, trademark registrations also extend to a category of nontextual symbols or trade dress²⁴⁵ which includes product packaging (like the Coca-Cola bottle), product design (the shape of a Ferrari car), and colors (like Tiffany’s robin’s egg blue).²⁴⁶ Registrations for trade dress may be cancelled at any time if a challenger proves that the symbol is functional.²⁴⁷ While some courts have held that such a loss is irreversible no matter how much secondary meaning a generic or functional symbol acquires, others have found that marks that have lost protection for being functional may regain protection if the symbol’s owner proves that the mark is no longer functional and has reacquired commercial distinctiveness.²⁴⁸

The scope of trademark rights is also malleable. Copyright and patent protection are limited to the work or invention identified in the application, and federal law expressly prohibits expansion of the right beyond that initial scope.²⁴⁹ Trademark rights are different in that they may expand or contract as

244. *See* Donald F. Duncan, Inc. v. Royal Tops Mfg. Co., 343 F.2d 655, 668 (7th Cir. 1965) (holding that “yo-yo” is no longer a valid trademark); Bayer v. United Drug Co., 272 F. 505, 515–16 (S.D.N.Y. 1921) (allowing competitor to market its drug under the term “Aspirin” to the public since the word had already entered into public domain); Houghton Elevator Co. v. Seeberger, 40 Trademark Rep. 326, 326–27 (1950) (cancelling 50-year-old registration for “escalator”); Loctite Corp. v. Nat’l Starch & Chem. Corp., 516 F. Supp. 190, 217–19 (S.D.N.Y. 1981) (cancelling supplemental registration because the term “Super Glue” was used and understood as a term that was generic); Nissen Trampoline Co. v. Am. Trampoline Co., 193 F. Supp. 745, 755–56 (S.D. Iowa 1961) (holding that the term “trampoline” is “generic and in the public domain and cannot be exclusively appropriated for trademark usage”).

245. *See* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 764 n.1 (1992) (explaining that the “‘trade dress’ of a product is essentially its total image and overall appearance . . . [it] involves the total image of a product and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques”) (citations omitted).

246. The trademark consists of the distinctively shaped contour, Registration No. 72,069,873; the mark consists of the configuration of an automobile, Registration No. 3,743,490; TIFFANY BLUE, Registration No. 4,804,204.

247. *See* Traffix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 23 (2001) (“Trade dress can be protected under federal law, but the person asserting such protection in an infringement action must prove that the matter sought to be protected is not functional.”); *see also* Sweet St. Desserts, Inc. v. Chudleigh’s Ltd., 69 F. Supp. 3d 530, 541 (E.D. Pa. 2014) (“A registered trademark is always subject to cancellation as functional.”).

248. *See, e.g.*, Eco Mfg. LLC v. Honeywell Int’l, Inc., 357 F.3d 649, 653 (interpreting Traffix to support the contention that “what was once functional may half a century later be ornamental”).

249. *See* 17 U.S.C. § 103(b) (2012) (“The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.”); 35 U.S.C. § 305 (2012) (stating that any proposed amendment or new

a function of use in commerce. Nothing in the Lanham Act prevents a mark owner from applying for additional registrations on a previously owned mark if it expands its use to new products or services not previously claimed. The Lanham Act also permits federal trademark registrations to be cancelled or narrowed if a mark owner abandons the mark or continues to use it in connection with only a subset of the goods or services identified in the existing registration.²⁵⁰

As noted above, many forms of intellectual property rights last for a fixed number of years, and once the term of protection ends, the right cannot be recovered.²⁵¹ Trademarks are different because they can expand or contract, or lost and then reacquired. If a mark is denied registration because it lacks secondary meaning, the applicant may later obtain registration for the same mark if he or she can provide the USPTO with evidence of distinctive use in commerce. Applicants whose registrations were rejected for being confusingly similar to a senior mark may also reapply and obtain a registration if the senior user's registration lapses.²⁵²

Trademarks are also the only form of intellectual property that can die and be revived. They are like zombies: any abandoned trademark can be resuscitated through use, take on a new life, and become stronger than it ever was before. An administrative pronouncement of death does not mean that the trademark cannot rise again.

The dynamic nature of trademarks as symbols and the forward-looking nature of the likelihood of confusion standard means that a decision that might have made sense at one time can and will be revisited if it is relitigated later. The likelihood of confusion analysis involves consideration of at least eight factual variables.²⁵³ It is a predictive standard designed to assess future

claim that attempts to enlarge the preexisting patent is prohibited under ex parte review); 35 U.S.C. § 316(d)(3) (forbidding enlargement of the patent under inter partes review); 5 U.S.C. § 326(d)(3) (2012) (forbidding enlargement of the patent under post-grant review).

250. See 15 U.S.C. § 1064.

251. 35 U.S.C. § 154. Before 1989, copyrights could also be lost by publication without the requisite notice. See Deborah R. Gerhardt, *Copyright Publication: An Empirical Study*, 87 NOTRE DAME L. REV. 135, 141 (2011).

252. 15 U.S.C. § 1095.

253.

Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account.

consumer perceptions based on the status quo. Because the likelihood of confusion standard is applied to the changing symbols of at least two organizations, the factual grounding for the analysis is constantly shifting. While the symbols themselves may remain the same, as the evidence of market use changes, the predictive likelihood of confusion standard may yield results that differ substantially from a past decision. Consequently, as the SEALTIGHT saga illustrates, the same two parties may relitigate infringement questions involving the same two symbols, as their markets and consumer understandings evolve.²⁵⁴ Given the multitude of trademark variables that change over time, deference to any past decision can be problematic.

The next Part turns to yet another reason why *de novo* review of trademark matters is appropriate. Deference is not accorded when agencies interpret provisions, like the United States Constitution, that are outside the scope of the agency's specialized administrative responsibility.²⁵⁵ Due to the many expressive interests at issue in trademark matters, judicial decisions should be informed by expertise outside the field of trademark law.

VI. TRADEMARK EXPERTISE CAN CREATE AN ECHO CHAMBER THAT DROWNS OUT OTHER RELEVANT MODES OF INQUIRY

When anyone is faced with a decision outside one's area of expertise, deference to an expert is a sensible instinct. Deference to the USPTO on trademark matters may be especially tempting given the agency's expertise in trademark law. But before such deference is accorded, it makes sense to examine whether the USPTO or federal courts are institutionally better situated to decide fact-intensive trademark questions.

Another important question to consider is whether the USPTO is best suited to analyze trademark matters that implicate important legal issues outside trademark law. When experts analyze the world through a particular paradigm, they may not be as open to other modes of inquiry. For this reason, great trademark expertise in the USPTO could result in a trademark echo chamber where trademark ideas drown out other important doctrines that intersect with this economic and expressive area of law. Given the heuristics outlined above, a federal court may be the only forum where a trademark litigant has a genuine shot of introducing evidence and expertise from other

Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

254. *See supra* notes 88–101 and accompanying text.

255. Union Pac. R. Co. v. Ametek, Inc., 104 F.3d 558, 562 (3d Cir. 1997); Scheduled Airlines Traffic Offices, Inc. v. Department of Defense, 87 F.3d 1356, 1361 (D.C. Cir. 1996); Bd. of Governors of Univ. of N. Carolina v. U.S. Dep't of Labor, 917 F.2d 812, 816 (4th Cir. 1990).

fields like behavioral economics and lexicography.

De novo judicial review of USPTO decisions is also necessary to protect expressive interests that are embodied in trademark symbols but grounded in doctrine outside trademark law, such as the constitutional guarantee of free expression. The contrasting USPTO and judicial analysis of “THE SLANTS” mark illustrates how trademark registration decisions may change when other modes of inquiry, such as First Amendment analysis, are considered in addition to trademark law. The dispute arose when Simon Shiao Tam applied to register “THE SLANTS” for his electronic music band. The examiner would not permit the mark to register on the ground that it violated section 2(a) of the Lanham Act, which, before it was held unconstitutional, barred the registration of any mark “which may disparage . . . persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.”²⁵⁶ The TTAB affirmed the examiner’s decision. Tam appealed to the Federal Circuit, arguing that the TTAB erred in finding his mark disparaging and that, in any event, section 2(a) is unconstitutional.²⁵⁷

Instead of deferring to the TTAB on its trademark analysis and resting its affirmance on trademark law alone, the Federal Circuit met en banc to examine how trademark law fits within the larger structure of constitutional law governing free speech. Decades earlier, the Federal Circuit held that refusal to register a mark did not violate First Amendment rights because the Applicant could continue to use the mark.²⁵⁸ In considering “THE SLANTS,” the en banc panel reconsidered this precedent and conducted a de novo review of the record. After doing so, it concluded that the Lanham Act’s disparagement bar is unconstitutional.²⁵⁹ The Supreme Court affirmed and noted that free speech issues are often implicated in trademark decisions. It stated that,

256. *Matal v. Tam*, 137 S. Ct. 1744, 1753 (2017).

257. *See In re Tam*, 808 F.3d 1321, 1332 (Fed. Cir. 2015).

258. *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981), *overruled by* 808 F.3d 1321 (Fed. Cir. 2015) (concluding that “it is clear that the PTO’s refusal to register appellant’s mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed. Consequently, appellant’s First Amendment rights would not be abridged by the refusal to register his mark”) (internal citations omitted).

259. *See Tam*, 137 S. Ct. at 1765.

[T]rademarks often have an expressive content. Companies spend huge amounts to create and publicize trademarks that convey a message. It is true that the necessary brevity of trademarks limits what they can say. But powerful messages can sometimes be conveyed in just a few words.²⁶⁰

If the Federal Circuit had deferred to the TTAB, it might never have reached the constitutional question that led to the invalidation of the disparagement clause of section 2(a). Instead, the Federal Circuit recognized that significant expressive issues were at stake and chose not to defer to the TTAB's conclusions based only on trademark doctrine.

Although the speech in *Tam* has cultural and political connotations not shared by all marks, it is not necessarily atypical. Every trademark carries with it some expressive value.²⁶¹ If it did not, it could not function as a distinctive source identifier. Trademark professionals work hard to link brands to specific ideas.²⁶² Many contemporary marks signify meaningful values that can be used to prompt political or cultural change.²⁶³

The USPTO is not empowered to decide questions of constitutional law.²⁶⁴ After *Tam* was decided, the USPTO continued to conduct business as usual within its sphere of expertise and jurisdiction. It does not have the power to apply the reasoning in *Tam* to invalidate other provisions of the Lanham Act. Accordingly, the USPTO continued to treat other provisions of section 2(a) that raise similar constitutional questions as valid. In addition to disparaging marks, section 2(a) indicates that one may not register immoral or scandalous marks. The Lanham Act does not define these subjective terms, and as one might expect, two empirical studies found that they were routinely applied inconsistently.²⁶⁵

260. *Id.* at 1760.

261. *See id.* at 1752, 1760 (“The foundation of current federal trademark law is the Lanham Act, enacted in 1946. . . . By that time, trademark had expanded far beyond phrases that do no more than identify a good or service. Then, as now, trademarks often consisted of catchy phrases that convey a message.”).

262. *See* NAOMI KLEIN, NO LOGO 21 (2009) (explaining that in the late twentieth century, “a new consensus was born: the products that will flourish in the future will be the one presented not as commodities but as concepts: the brand as experience, as lifestyle”).

263. *See generally* Deborah R. Gerhardt, *Trademarks as Entrepreneurial Change Agents for Legal Reform*, 95 N.C. L. REV. 1519 (2017).

264. *See In re Brunetti*, Serial No. 85310960, 2014 WL 3976439, at *5 (T.T.A.B. Aug. 1, 2014) (“It is abundantly clear that the Trademark Trial and Appeal Board is not the appropriate forum for re-evaluating . . . First Amendment jurisprudence . . .”).

265. *See* Meghan M. Carpenter & Mary Garner, *NSFW: An Empirical Study of Scandalous Trademarks*, 33 CARDOZO ARTS & ENT. L.J. 321, 356–61 (2015); Anne Gilson LaLonde & Jerome Gilson, *Trademarks Laid Bare: Marks That May Be Scandalous or Immoral*, 101 TRADEMARK REP. 1476, 1478–82 (2011).

Even after *Tam* was decided, the USPTO continued to bar registration based on the section 2(a) scandalous and immoral bar. This practice continued until the Federal Circuit decided *In re Brunetti*, in which an applicant sought to register “FUCTION” for clothing.²⁶⁶ The examiner found that section 2(a) barred the mark’s registration, and the TTAB affirmed, noting that its decision was founded on trademark law, not constitutional issues:

It is abundantly clear that the Trademark Trial and Appeal Board is not the appropriate forum for re-evaluating the impacts of any evolving First Amendment jurisprudence within Article III courts upon determinations under Section 2(a) of the Lanham Act, or for answering the Constitutional arguments of legal commentators or blog critics.²⁶⁷

Instead of using a deferential rubber stamp, the Federal Circuit reviewed the matter de novo and held that based on the Supreme Court’s decision in *Tam*, the section 2(a) bar against immoral or scandalous marks violated the First Amendment.²⁶⁸

While USPTO expertise may result in a high level of competence with respect to trademark law, the specialization of trademark experts and the USPTO’s limited jurisdiction are additional reasons not to defer to the USPTO. While market and expressive concerns are frequently at issue in trademark matters, USPTO examiners and TTAB judges have no special expertise in either field. The USPTO policy office is staffed with trademark professionals, and not economists, lexicographers, behavioral economists, or other business professionals. Examiners and TTAB judges assess trademark applications against USPTO TESS data that, by the USPTO’s own admission, cannot often be supported by current marketplace evidence.

VII. CONCLUSION

Although there is some confusion as to the level of deference federal courts should apply in reviewing USPTO trademark decisions, many are correctly applying de novo review. That trend should be solidified as a common practice. Too much deference could result in decisions from a trademark echo chamber. The USPTO routinely makes registration decisions on the fact-intensive questions of availability, validity, and distinctiveness, but cannot spend the amount of time that federal courts spend when making findings of fact. In determining the appropriate level of deference, federal courts should remember that USPTO examiners generally move through

266. *In re Brunetti*, 877 F.3d 1330, 1337 (Fed. Cir. 2017).

267. *In re Brunetti*, No. 85310960, 2014 WL 3976439, at *5 (Aug. 1, 2014).

268. *In re Brunetti*, 877 F.3d at 1357.

applications quickly and apply multiple heuristics as a stand-in for evidence of market use. The USPTO's pilot audit of the Principal Register demonstrated that half of the audited registrations contained assertions that could not be supported with evidence.

Because trademarks are dynamic, they change constantly as markets adjust to new consumer demands and understandings. Courts should hesitate to defer to past trademark decisions, because a trademark decision made based on yesterday's market facts may require reconsideration if the question arises in a changed market context. Finally, while the USPTO does have significant trademark expertise, its own TTAB judges admit that they make decisions within their trademark paradigm and do not view their role as permitting review of overlapping doctrinal issues, such as First Amendment protections. For all of these reasons, federal judges should apply de novo review of USPTO trademark decisions so that, if necessary, they can be fully adjudicated in court where market evidence and multiple modes of inquiry can inform the final decision.

SCHOLARLY CONCERNS ABOUT A PROPOSED COPYRIGHT SMALL CLAIMS TRIBUNAL

Pamela Samuelson[†] & Kathryn Hashimoto^{††}

ABSTRACT

Because federal court litigation is very costly, many small claims for copyright infringement do not currently get litigated. Authors and artists, in effect, have legal rights, but not legal remedies when others trespass on those rights. Responding to a sense of unfairness of this situation, Congress has been considering legislation to establish a small claims tribunal within the U.S. Copyright Office. This tribunal would be empowered to adjudicate copyright infringement claims. To bring a claim, authors would have to send a statement articulating the basis for the infringement claim, which would then be reviewed by tribunal staff. Once vetted by that staff, the claim could be served on the alleged infringer who would have a short period of time within which to opt-out of the proceedings. Unless opt-outs were filed in a timely manner, tribunal hearing officers would proceed to decide the claims and could award up to \$30,000 per claim. Claimants could be awarded statutory damages of up to \$15,000 per infringed work for authors who had registered copyright claims pre-infringement and up to \$7,500 per work infringed for late-registrants. If necessary to persuade infringers to pay the amount awarded and/or to cease infringing activities, successful claimants could seek enforcement of the award in federal court.

Recognizing that this legislation would have important implications for enforcement of copyrights and perhaps for copyright trolls, the Berkeley Center for Law & Technology and UC Hastings Law School organized a workshop of intellectual property, economics, and civil procedure scholars to consider specific aspects of the proposed small claims regime. Although sympathetic to the impetus behind the proposal, participants in the day-long workshop articulated a large number of reservations about the proposed regime, which this Article organizes into six categories. Serious questions were raised about, among other things, its constitutionality, procedural fairness, potential for abuses, and the lack of a cost-benefit analysis to support it.

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^{††} Copyright Research Fellow, Berkeley Center for Law & Technology, Berkeley Law School. We are grateful to Ben Depoorter for his many contributions to the workshop and recommend to readers his Article in this volume. The initial report from which this Article derives was distributed to the participants in the BCLT-Hastings Workshop who were given an opportunity to comment, make editorial suggestions, and provide feedback on whether it accurately reflected workshop discussions. The participants were: Shyam Balganes, Andrew Bradt, Annemarie Bridy, Colleen Chien, Ben Depoorter, Kristelia Garcia, Christian Helmers, Gwen Hinze, Sonia Katyal, Peter Menell, Tyler Ochoa, Aaron Perzanowski, Tony Reese, Blake Reid, Matthew Sag, Pamela Samuelson, Jason Schultz, and Molly Van Houweling.

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I. INTRODUCTION

In 2013 the U.S. Copyright Office (Office) proposed legislation to create a small claims tribunal (Tribunal) within the Office to adjudicate copyright infringement claims, as well as abuse of notice-and-takedown claims under 17 U.S.C. § 512(f).¹ Two bills introduced in Congress in 2016 would have implemented this proposal.² A very similar bill was introduced in the House of Representatives in 2017.³

1. U.S. COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS: A REPORT OF THE REGISTER OF COPYRIGHTS (2013), <https://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf> [<https://perma.cc/VWB2-MFMJ>] [hereinafter SMALL CLAIMS REPORT].

2. *See, e.g.*, Copyright Alternative in Small-Claims Enforcement (CASE) Act of 2016, H.R. 5757, 114th Cong. (2016); Fairness for American Small Creators Act, H.R. 6496, 114th Cong. (2016); *see also* H.R. JUDICIARY COMM., REFORM OF THE U.S. COPYRIGHT OFFICE (2016), <https://judiciary.house.gov/wp-content/uploads/2016/12/Copyright-Reform.pdf> [<https://perma.cc/3M8C-6MAX>] (policy document proposing, inter alia, formation of a copyright small claims system).

3. On October 4, 2017, Reps. Hakeem Jeffries and Tom Marino introduced a small claims bill, which like one of its predecessors is called the Copyright Alternative in Small-Claims Enforcement (CASE) Act. *See* H.R. 3945, 115th Cong. (2017). This bill is nearly identical to the 2016 version, but with these additional provisions: (i) an expedited registration procedure for small claims (§ 1404(d)); (ii) barring for one year a claimant who brings multiple bad-faith claims within a year (§ 1405(x)(3)); (iii) allowing claims of \$5,000 or less to be heard and decided by only one Copyright Claims Officer (§ 1405(y)); (iv) outlining Tribunal subpoena power over ISPs (§ 1405(z)); and (v) upon district court confirmation of the relief

Because enactment of legislation of this sort may have profound effects on copyright in the U.S., the Berkeley Center for Law & Technology (BCLT) and UC Hastings College of the Law convened a workshop on February 3, 2017, of eighteen scholars (specializing in economics, civil procedure, and intellectual property) to discuss the Office's proposal and legislation to implement it. Participants in this workshop expressed a rather wide range of reservations about the Tribunal proposal. While there was some support among the workshop participants for a scaled-down, more carefully tailored copyright small claims procedure, the range and seriousness of concerns expressed at the workshop lead us to conclude that further consideration is warranted before moving forward with the proposed legislation.

Reservations expressed during the workshop fell into six principal categories: 1) constitutionality concerns; 2) breadth of jurisdiction; 3) process concerns about claiming, adjudicating, and appealing the outcomes if the proposal was enacted as is; 4) potential for abuses; 5) underexplored alternatives; and 6) larger questions about the proposal, including whether copyright is so special that it should have a tribunal of its own, given that many federal laws are underenforced because of the high costs of litigation.

II. CONSTITUTIONALITY CONCERNS

The Tribunal poses both separation of powers and due process concerns. Each is explored in turn below.

awarded by the Tribunal, the court must award fees and costs, including attorney fees, to the prevailing party (§ 1407(a)). These provisions were, of course, neither considered nor discussed at the workshop. They are hence not discussed in this report. The authors of this document have some reservations about some of these changes.

Subsequent changes to the bill were made and a discussion draft circulated in May 2018, followed by a House Judiciary Committee hearing on September 27, 2018. The discussion draft along with written statements of the five witnesses invited to testify are available on the Committee website, <https://judiciary.house.gov/hearing/copyright-alternative-in-small-claims-enforcement-act-of-2017/> [<https://perma.cc/X3HF-WLLY>]. The latest version of the bill attempts to address some previously expressed concerns, for example limiting the number of cases per year per individual/entity; extending the opt-out period to 60 days and allowing for blanket opt-out, in addition to providing for a second notice to be sent by the Copyright Office; removing the provision allowing a district court to consider a party's decision to opt out of the small claims system in awarding attorney fees and costs; and removing third-party subpoenas to service providers. Nonetheless, workshop participants' concerns, particularly with regard to the opt-out foundation of the tribunal process, still pertain. Because these changes were made long after the workshop, about which this Article reports, it does not discuss them.

A. POWERS TO ADJUDICATE CLAIMS UNDER ARTICLES I & III OF THE U.S. CONSTITUTION

The Supreme Court has on a number of occasions ruled that Congress does not have power under Article I of the Constitution to establish tribunals to adjudicate certain types of claims because such claims can only be adjudicated by Article III courts.⁴ Boiled down to its essence, the Court has held that Article I tribunals can adjudicate claims involving “public rights,” but not those involving “private rights.”⁵ Whether copyrights are “private” or “public” rights is, under this jurisprudence, not entirely clear.

What is clear is that the Tribunal proposed by the Office would establish an Article I adjudication procedure. Some workshop participants thought that the Court’s jurisprudence on what can be adjudicated by Article I tribunals and what must be adjudicated by Article III courts calls into question the constitutionality of the Tribunal as proposed by the Office.

Questions about Congress’ power to establish administrative adjudication procedures, either under its own aegis or as part of an Executive agency, have become more salient with the Supreme Court’s recent decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*.⁶ The question which the Court considered in *Oil States* was whether Congress had the constitutional power to enable, as part of the 2011 America Invents Act (AIA),⁷ the Patent Trial and Appeal Board (PTAB) to review the validity of patent claims on novelty or nonobviousness grounds and to extinguish erroneously issued patent claims.⁸

Petitioner Oil States, whose patent was invalidated by PTAB under the AIA inter partes review process, argued that once issued, patents are private rights and disputes over them must be resolved by Article III courts.⁹ It relied on *McCormick Harvesting Machine Co. v. C. Aultman & Co.* for its assertion that

4. See, e.g., *Stern v. Marshall*, 564 U.S. 462, 484 (2011); *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 87 (1982).

5. See, e.g., *Northern Pipeline*, 458 U.S. at 67–68; *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1855).

6. 584 U.S. ____ (2018).

7. America Invents Act of 2011, § 7, Pub. L. No. 112-29, 125 Stat. 284.

8. *Oil States*, 584 U.S. at ____ (slip op. at 1–4).

9. See, e.g., Petition for a Writ of Certiorari at 17–18, *Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 137 S. Ct. 2239 (2017) (mem.) (No. 16-712), 2016 WL 6995217. The Court of Appeals for the Federal Circuit had affirmed PTAB’s invalidation of Oil States’ patent, although it did not issue an opinion on the constitutionality issue raised by Oil States, seemingly because the year before it had addressed this constitutional challenge to PTAB’s powers in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

only Article III courts can adjudicate the validity of patents.¹⁰

The Supreme Court upheld the constitutionality of the inter partes review process by PTAB. Defining public rights as matters arising “between the government and others, which from their nature do not require judicial determination,” the Court determined that inter partes review “fall[s] squarely within the public-rights doctrine.”¹¹ Inter partes review, the Court said, is merely a reconsideration of the decision to grant a patent, which itself is undisputedly a public-rights matter.¹² Further, the court emphasized the narrowness of its ruling as being specific to inter partes review and clarifying that it does not address “whether other patent matters, such as infringement actions, can be heard in a non-Article III forum.”¹³

The constitutional question about establishing an administrative tribunal to adjudicate copyright infringement claims is more serious than that of Congress’ power to enable PTAB review of issued patents. This is because the proposed Tribunal would actually adjudicate copyright infringement claims, over which Article III courts have long had exclusive jurisdiction.¹⁴ PTAB, by contrast, mainly reviews patent claims to determine if the USPTO made a mistake in approving certain claims.¹⁵ Thus, even though the Court ultimately upheld the Federal Circuit’s ruling in *Oil States* on the authority of PTAB to review patent claims, the Tribunal presents a different and more challenging issue because it would be adjudicating infringement claims,¹⁶ not just reviewing the Office’s registration decisions, which is the closest analogy to what PTAB does with patents. Adjudicating infringement claims is exactly what Article III courts are supposed to do.

Although the Copyright Office has suggested that any constitutional objections could be overcome by a voluntary submission to the Tribunal’s jurisdiction,¹⁷ workshop participants were concerned that the opt-out regime under consideration (see “Due Process Issues” below) was not voluntary

10. 169 U.S. 606 (1898). However, the *Oil States* Court characterized *McCormick* as being more properly understood as a statutory interpretation case about the scope of authority granted under then-current statutes than as a constitutional case. *Oil States*, 584 U.S. at ____ (slip op. at 11).

11. *Oil States*, 584 U.S. at ____ (slip op. at 6).

12. *Id.* at ____ (slip op. at 7).

13. *Id.* at ____ (slip op. at 16).

14. See, e.g., SMALL CLAIMS REPORT, *supra* note 1, at 8, 9 (citing 28 U.S.C. § 1338 (2012)).

15. 35 U.S.C. § 6(b) (2012) (listing PTAB duties); see also SMALL CLAIMS REPORT, *supra* note 1, at 64–66 (describing PTAB).

16. See SMALL CLAIMS REPORT, *supra* note 1, at 137 (§ 1403(c) of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

17. SMALL CLAIMS REPORT, *supra* note 1, at 40–41.

enough to bypass the constitutional concerns.¹⁸

B. DUE PROCESS ISSUES

Workshop participants expressed several constitutional due process concerns, including questions about the assertion of nationwide personal jurisdiction and service of process issues.¹⁹ The Office is located in Washington, D.C., and adjudications would presumably take place there, although some proceedings might be carried out online.²⁰ Other concerns included limits on appeals, on grounds for appeal, transparency of documents pertaining to each proceeding, and Seventh Amendment jury trial rights.²¹

18. Also of possible relevance to the constitutionality of the Tribunal proposal is the Supreme Court's recent line of cases regarding Article III interpretation with respect to defining the jurisdiction of the bankruptcy courts. *See, e.g.*, *Stern v. Marshall*, 564 U.S. 462 (2011) (Article III prohibited bankruptcy court from adjudicating certain state law claims raised in bankruptcy proceedings); *Executive Benefits Ins. Agency v. Arkison*, 134 S. Ct. 2165 (2014) (holding that a district court's judgment following de novo review cured a bankruptcy court's invalid entry of judgment); *Wellness Int'l Network, Ltd. v. Sharif*, 135 S. Ct. 1932 (2015) (holding that a bankruptcy court proceeding over claims entitled to Article III adjudication was permissible with parties' consent). The Office's Report gave some attention to these constitutionality issues. SMALL CLAIMS REPORT, *supra* note 1, at 36–38. However, that Report was issued before the *Executive Benefits* and *Wellness* rulings and the Court's decision to hear the *Oil States* case.

19. The Report discussed personal jurisdiction and service of process issues, *see* SMALL CLAIMS REPORT, *supra* note 1, at 44–47, but seemed to conclude that a voluntary small claims system that was available by remote means would largely relieve due process concerns. *See id.* at 46, 102. These issues are perhaps more complex and substantial than the Report characterizes. *See, e.g.*, 3 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 15.1 (3d ed. 2005 & Supp. 2017) (discussing cases involving personal jurisdiction); 5 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 17:140 (2017) (discussing service of process). The scheme envisioned by the statute may not satisfy the baseline due-process requirements of notice and opportunity to be heard, particularly if it appears likely that notice will not always reach the putative defendants. *See Jones v. Flowers*, 547 U.S. 220, 231–33 (2005). Moreover, the viability of nationwide personal jurisdiction in the federal courts is in doubt after the Supreme Court's statement in *Bristol-Myers Squibb v. Superior Court of California* expressly “leav[ing] open” the question of Fifth Amendment limitations on personal jurisdiction of federal courts. 137 S. Ct. 1773, 1784 (2017); *see also* *Omni Capital Int'l, Ltd. v. Rudolf Wolff & Co., Ltd.*, 484 U.S. 97, 102 (1987) (noting that the Court “ha[d] no occasion to consider the constitutional issues” raised by nationwide personal jurisdiction based on contacts with the country as a whole).

20. *See* SMALL CLAIMS REPORT, *supra* note 1, at 98–99, 133, 140 (§§ 1401(a), 1405(c) of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

21. The Office proposal would allow parties to seek reconsideration by the Copyright Board and review by the Register of the reconsideration decision, *see* SMALL CLAIMS REPORT, *supra* note 1, at 149 (§§ 1405(v)–(w) of draft); would allow parties to challenge the decision on narrow grounds in the D.C. District Court, *id.* at 152 (§ 1407(c)); and would provide for publication of only its final determination on its website, *id.* at 147 (§ 1405(s)(3)). The Report also conveyed confidence that a voluntary system including consent and waiver could abate concerns about the Seventh Amendment right to a jury trial. *See id.* at 27–29. However,

The most substantial due process issues, however, were those about the “voluntary” nature of the proceedings and whether Congress should adopt an opt-out or an opt-in regime for parties’ participation in the Tribunal. The Office recognized that a system in which alleged infringers voluntarily consent to submit to Tribunal proceedings to resolve disputes with claimants would present fewer constitutional questions than would a mandatory opt-out system.²²

Among the reasons an alleged infringer might be willing to participate in a small claims proceeding in some cases is because the process of adjudication would likely be faster and cheaper than in federal court.²³ The alleged infringer’s exposure for money damages would also be lower if it lost before a Tribunal. If the facts of the dispute were not complicated, the streamlined process and documentary evidence would provide a basis for a resolution without the need for discovery or motions practice. Moreover, participating in this process might also enable the disputants to more easily formulate arguments that would lead to an improved settlement outcome instead of going through a full adjudication.

What matters, though, is how the parties would be understood to consent (or not) to participate in a small claims system. Under an opt-in model, adjudication could occur *only if* the alleged infringer expressly agreed to submit to the Tribunal’s jurisdiction. Under an opt-out model, the alleged infringer’s consent would be assumed and the Tribunal could proceed with adjudication *unless* the respondent expressly opted out within a certain short time frame.

The Office’s Small Claims Report discussed both opt-out and opt-in alternatives and characterized the opt-out model as “somewhat more ambitious” than the opt-in model.²⁴ Overall, the Office seemed to think that the opt-out process would be voluntary enough to pass constitutional muster, citing other rules of procedure recognizing consent premised on a failure to timely respond.²⁵ In addition, the Office characterized the opportunity to have

whether failure to respond in an opt-out scheme would truly be voluntary and constitute an effective waiver of that right is uncertain. The Supreme Court rejected Oil States’ Seventh Amendment challenge, holding that the Seventh Amendment right to a jury trial does not act as a bar when Congress in its proper authority assigns inter partes review to a non-Article III tribunal such as the PTO. *Oil States Energy Svcs., LLC v. Greene’s Energy Group, LLC*, 584 U.S. ____ (2018) (slip op. at 17). The Court’s holding applies narrowly to inter partes review, which the Court had determined was a proper exercise of authority by the PTO; it thus can be distinguished from the question of whether a copyright infringement claim may be properly adjudicated by a non-Article III tribunal and not run afoul of the Seventh Amendment.

22. See SMALL CLAIMS REPORT, *supra* note 1, at 41, 97.

23. The streamlined nature of the Tribunal process is summarized in SMALL CLAIMS REPORT, *supra* note 1, at 4.

24. See SMALL CLAIMS REPORT, *supra* note 1, at 99.

25. See *id.*

a default judgment set aside by an Article III judge as an additional safeguard.²⁶ The proposed legislation took the opt-out approach.²⁷

Copyright owners and industry groups who submitted comments about a small claims procedure for copyright disputes prefer the opt-out model.²⁸ That is, these stakeholders prefer a system that requires alleged infringers to affirmatively decline to submit to the Tribunal's adjudication. They pointed to experiences with alleged infringers who fail to respond to cease-and-desist letters.²⁹ A small claims notification asking the alleged infringer to opt into Tribunal adjudication, they believe, would often be ignored.

Participants in the BCLT-Hastings workshop expressed concern that the opt-out system would, in practice, not be as voluntary as necessary to pass constitutional muster. A significant consequence of nonresponse in an opt-out model would be a high proportion of cases in which the Tribunal would enter default judgments and damage awards.³⁰ Following such defaults, claimants could ask a federal court for an order to enforce the Tribunal's ruling against the defaulting party.³¹ A large number of judicially enforceable default judgments could result, which would be difficult to overturn given the restrictions that the Office would place on grounds for appeal and overturning default judgments.³² Because the Office has yet to establish rigorous standards for filing claims and serving them on respondents, due process concerns loom large, since the existence of clear standards is necessary to enable alleged infringers to make informed judgments about their options in responding to

26. *See id.*

27. *Compare* SMALL CLAIMS REPORT, *supra* note 1, at 142–51 (§§ 1405–1406 of draft) (offering opt-in and opt-out alternative provisions), *with* H.R. 5757, 114th Cong. § 2 (2016) (§§ 1405–1406; opt-out only (30 days to opt out)), *and* H.R. 6496, 114th Cong. § 2 (2016) (§§ 1405–1406; opt-out only (60 days to opt out)). An additionally troubling provision added to the bills would allow district courts, when considering whether to award costs or attorney fees in a case brought in federal court, to take into account whether the nonprevailing party had the opportunity, but opted not to, participate in a Tribunal proceeding. *See* H.R. 5757, 114th Cong. § 2 (§ 1408(b)); H.R. 6496, 114th Cong. § 2 (§ 1408(a)). Thus, Tribunal bias could reach even a respondent who properly exercised the opt-out alternative. Parties should not be penalized for going to federal court.

28. *See* SMALL CLAIMS REPORT, *supra* note 1, at 98.

29. *See id.*

30. *See id.* at 147 (§ 1405(t) [Opt-Out Alternative] of draft).

31. *See id.* at 151–52 (§ 1407 of draft).

32. *See infra* note 47 (describing Report's proposed limits on appeals). An additional cause for concern is that default judgments issued under an opt-out scheme would likely be subject to numerous collateral attacks based on constitutional issues, such as the Seventh Amendment right to a jury trial under *Feltner v. Columbia Pictures*, 523 U.S. 340 (1998), *see supra* note 21; the due process requirements for providing adequate notice in an opt-out procedure, *see supra* note 30; and the exercise of proper personal jurisdiction, *see supra* note 19. The consequent litigation would obviously undermine the efficiency goals of a small claims system.

Tribunal complaints.³³

III. BREADTH OF JURISDICTION

The Tribunal proposal would allow adjudication of all copyright infringement claims in which the total amount of damages claimed was \$30,000 or less.³⁴ Many workshop participants thought that the \$30,000 cap was too high and would dissuade many potential respondents from participating. Given the higher costs and evidentiary burdens required in federal courts, many defendants might instead prefer to take the chance that the plaintiff would not pursue the claim in federal courts. A cap that might make alleged infringers more willing to participate might be in the neighborhood of \$10,000–15,000.

Workshop participants reached consensus that Tribunal awards should be compensatory only. That is, a successful claimant should get monetary compensation for her lost profits (e.g., the license fee she was owed), but should not be able to disgorge the defendant’s direct or indirect profits. Disgorgement would require extensive discovery, possible expert testimony, and other litigation-intensive work, which are unsuitable for a small claims procedure.

Workshop participants also expressed skepticism about enabling the Tribunal to award statutory damages, except perhaps in circumstances when damages actually were too difficult to prove. (The particular problems with statutory damages are discussed further in Part V below.)

There was also general agreement at the workshop that neither secondary liability nor nonliteral infringement claims should be within the Tribunal’s jurisdiction. These claims typically involve complex factual issues that do not lend themselves to summary adjudications by an administrative tribunal on documentary evidence. They may also pose novel questions on which the law was uncertain.

There was also skepticism about the utility of making § 512(f) claims be part of the Tribunal’s jurisdiction. While it is likely true that any money damages that users might claim for bad-faith assertions of copyright

33. In *Phillips Petroleum Co. v. Shutts*, 472 U.S. 797, 812 (1985), a class action, the Court held that notice must be “the best practicable” to bind an absent class member who has the right to opt out under section 23(b)(3). In the small claims context, the notice requirement arguably would need to be stricter than the class action setting to pass due-process muster, since the party receiving notice is a defendant who is not otherwise adequately represented in the Tribunal.

34. See SMALL CLAIMS REPORT, *supra* note 1, at 139 (§§ 1403(d)(1)(D) of draft); H.R. 5757, 114th Cong. § 2 (2016) (§ 1403(e)(1)(D)); H.R. 6496, 114th Cong. § 2 (2016) (§ 1403(e)(1)(D)).

infringement and abuse of the notice-and-takedown procedure would be “small,” § 512(f) claims are very different in character than the infringement claims that the Tribunal will mainly be dealing with. To adjudicate § 512(f) claims would require proof of mental states that are not susceptible to documentary evidence in a small claims procedure.

Some workshop participants were also skeptical about whether to allow corporate authors of works-for-hire and assignees of copyrights to bring small claims in this forum.³⁵ The most sympathetic “use case” for a small claims process for copyright infringement are those individual creators who are trying to make a living from their creative work; a small claims process would enable these individuals to seek a remedy for infringing uses of their photographs, images, or stories. Currently, many potential infringers are not deterred from infringing copyrights because they know that individual creators cannot afford to sue to get the \$1,500 license fee that they would have charged. A more narrowly drawn proposal designed to address this type of use case would have found more support among workshop participants.

Workshop participants also reached consensus that if respondents raised defenses or counterclaims that would require discovery and more elaborate fact-finding than was suitable for adjudication through a small claims process, the Tribunal should be able to inform the parties that the matter was unsuitable for resolution by the Tribunal. The Office’s Small Claims Report acknowledges the need to confine a small claims system to less complex cases and recommends that the Tribunal could dismiss without prejudice any claim that it concludes could not be adequately adjudicated within the constraints of a small claims process.³⁶ However, the Office also seems more confident than perhaps is warranted that adjudicators with the necessary copyright expertise could successfully navigate a streamlined proceeding including defenses and related counterclaims.³⁷

IV. PROCESS CONCERNS ABOUT CLAIMING AND ADJUDICATION

Much of the workshop discussion focused on civil procedure-related issues raised by the proposed small claims tribunal, such as establishing standards for judging the facial validity of claims and response documents, the

35. See also *infra* Part V, Overuse by Corporate Owners and Assignees.

36. See SMALL CLAIMS REPORT, *supra* note 1, at 142 (§§ 1405(f)(3) of draft (“Dismissal for Good Cause”)); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

37. See, e.g., SMALL CLAIMS REPORT, *supra* note 1, at 107 (asserting that in the “unusual case” where the SCT decisionmaker could not evaluate a claim of fair use due to lack of evidence, the case could be dismissed without prejudice to be litigated in federal court).

scope of eligible claims, whether or the extent to which the Tribunal would allow discovery and hear expert witnesses, panel compositions, and appeal and review procedures.

Facial Validity of Claims: The Office envisions that many small claims would be made by individual creators/copyright owners without the aid of legal representation.³⁸ Claims would be initiated by the creator’s filing a claim with the Tribunal (after paying the appropriate fee). The Office recognizes that unrepresented creators may not have sophistication about how to draw up a viable claim document. Its Report suggests that Tribunal staff would help unrepresented creators formulate facially viable claims.³⁹ Workshop participants thought that the staff who aided claimants should not be the eventual adjudicators of the claims. The Office envisions that the Tribunal staff would review claims and attest to their facial validity before the claimant could serve the document of complaint on the party alleged to be the infringer.⁴⁰ But because the standards for determining facial validity of a claim are not fully specified and are potentially minimal, workshop participants thought it important for there to be more explicit confirmation that such regulations would be sufficiently rigorous to give the alleged infringer adequate notice about the claim and the Tribunal’s intention to adjudicate it.⁴¹

Response Documents: Workshop participants were concerned with the apparently complainant-focused nature of the proposed system. To create a fair process, Congress should require that the Tribunal process ensure that all response documents submitted by the alleged infringer should be filed with

38. *See id.* at 120–21 (but allowing litigants the opportunity to be represented by counsel if desired); *id.* at 140 (§ 1405(d) of draft (permitting parties to be represented by an attorney)); *see also* H.R. 5757, 114th Cong. § 2 (2016) (§ 1405(d) (permitting parties to be represented by an attorney or a law student)); H.R. 6496, 114th Cong. § 2 (2016) (same).

39. *See* SMALL CLAIMS REPORT, *supra* note 1, at 121.

40. *See* SMALL CLAIMS REPORT, *supra* note 1, at 141 (§ 1405(f) of draft); *see also* H.R. 5757, 114th Cong. § 2 (2016) (§ 1405(f)(1)); H.R. 6496, 114th Cong. § 2 (2016) (same). The Office draft and the bills provide that if the original claim is deemed deficient, the claimant would have two opportunities to refile an amended claim, and if still deficient, the proceeding would be dismissed without prejudice.

41. *See* SMALL CLAIMS REPORT, *supra* note 1, at 122 (recommending that the claimant be required to include material facts to support the claim and to certify the facts alleged, and beyond that to be subject to review for “certain minimum requirements,” such as ownership information); *id.* at 141 (§ 1405(f) (review by an attorney to ensure compliance with “applicable regulations”)); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same). Procedurally, the notice/service requirements for the Tribunal also seem less rigorous than those for standard small claims courts. For example, many small claims courts require that the claimant send a demand letter or otherwise contact the adversary before filing suit. *See, e.g., Ask for Payments, CAL. CTS.,* <http://www.courts.ca.gov/9739.htm> [<https://perma.cc/Y4EN-UNBY>]. This provides both notice of the claim as well as some detail so that the defendant can prepare for settlement and/or disputing it.

the Tribunal clerk just as the complaint would be. Response documents should also be reviewed by Tribunal staff for legal sufficiency.⁴² If unrepresented by legal counsel, the respondent should be given advice about how to frame a viable defense (assuming there was one). Tribunal staff should not be in the business of only helping claimants.

Filing Fees: A system that is geared towards modest-sized copyright claims should likewise be concerned with ensuring that filing fees are sufficiently low so as not to be a barrier to court access for lower-income individuals. The Office Report and draft legislation suggests that filing fees for the Tribunal should be set at a minimum of \$100 per filing.⁴³ Workshop participants noted that many small claims courts have set differential fees for different kinds of claimants. This should be given consideration by the Office if the Tribunal is established. Fees could, for instance, be set on a sliding scale: \$50 for a claim of \$1,000 or less; \$100 for claims up to \$2,500; etc. Fees could be higher for companies than for individuals, higher for those who have brought a certain number of claims within a set time period, or higher for creators who had not registered their claims of copyright before filing a claim with the Tribunal. The filing fees will not cover the costs of adjudication, so Congress will need to be prepared to subsidize the costs of these Tribunals.

Eligible Infringement Claims: The Tribunal, as initially envisioned by the Office, would open the door to nonliteral infringement claims and other types of claims as to which factual disputes would be significant and not easy to resolve through a streamlined process.⁴⁴ There was general consensus at the workshop that the Tribunal should only adjudicate relatively straightforward infringement claims (i.e., claims of exact or near-exact copying or of public performance). These types of disputes are most readily susceptible to being adjudicated through a small claims process.

42. As presently drafted, proposed provisions detail the procedure for review and the opportunity to amend claims and counterclaims only. *See* Small Claims Report, *supra* note 1, at 141–42 (§§ 1405(f) of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

43. *See* SMALL CLAIMS REPORT, *supra* note 1, at 140 (§§ 1405(e) of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

44. *See* SMALL CLAIMS REPORT, *supra* note 1, at 137 (§ 1403(c) (permissible claims)); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same). The Office also recommended that all types of works be covered by the system, although it recognized that some claims, for example those involving computer software, might require in-depth analysis beyond the capabilities of the Tribunal. *See* SMALL CLAIMS REPORT, *supra* note 1, at 119. *See supra* Part III, Breadth of Jurisdiction.

Discovery & Expert Witnesses: To adjudicate claims of infringement on a largely or wholly documentary record (what we used to call a “paper record”), there should be no—or extremely limited—discovery. Similarly, if a matter is complex enough that expert witnesses are needed to resolve it, the claim is probably one that should not be resolved through a small claims process.

Federal Rules of Civil Procedure (FRCP): The Office Small Claims Report mentions some specific rules that it envisions would be followed, even if simplified, in Tribunal proceedings.⁴⁵ While recognizing that the small claims procedure is typically informal by design and simplified to expedite the process, the workshop participants were concerned about how Tribunal adjudicators would decide which FRCP should apply and which should not. There was some concern that these decisions might unfairly favor one party or type of litigant over another, or otherwise call into question compliance with due process requirements.

Three-Member Panels: The Report proposes that each Tribunal proceeding be adjudicated by a three-member panel, seemingly so that multiple decision-makers could collectively bring a breadth of expertise and experience to help ensure a holistic, balanced process.⁴⁶ Workshop participants surmised an additional explanation that this would mitigate the need for a robust appeal process. It may well be the case that three people on a panel would reach more considered decisions on the merits and on remedies than solo judges would. Consistency of adjudications may be achievable with three adjudicators hearing every case. Given the breadth of jurisdiction and process of adjudication envisioned in the Report, the volume of claims made to the Tribunal could be very substantial, likely in the thousands and possibly more than that per year. This is considerably more than one or a small number of panels of three could plausibly hear. There is also concern about consistency of three-member panel adjudications. The Federal Circuit is an example of a specialized court that has experienced serious intra-circuit conflicts. The same problem might well arise in respect of Tribunal panels as well.

Appeal Process & Judicial Review: It is commendable to aim for streamlined Tribunal proceedings. It is consistent with that aim to limit the

45. *See, e.g.*, SMALL CLAIMS REPORT, *supra* note 1, at 122–23 (recommending that rules regarding related claims and joinder of parties be permissive rather than mandatory); *see also id.* at 125 (making discovery rules more flexible).

46. *See id.* at 100–01, 133 (§ 1401 of draft (providing for three Copyright Claims Officers each serving six-year terms, two with copyright experience and one with ADR experience)); H.R. 6496, 114th Cong. § 2 (2016) (same); H.R. 5757, 114th Cong. § 2 (2016) (same, except all three must have copyright experience). The number and makeup of the panel resembles the Copyright Royalty Board, which by statute comprises three judges, each with varied, specific expertise. *See* 17 U.S.C. § 802(a)(1) (2012). *But see* H.R. 3945, 115th Cong. (2017) (allowing claims under \$5,000 to be adjudicated by one Tribunal member).

process and grounds on which to appeal adverse rulings. The proposed Tribunal would, however, unduly limit the grounds on which appeals could be made, both to the Register and also to a District Court, when a successful Tribunal claimant seeks a court order to enforce the Tribunal's award.⁴⁷

Declaratory Judgments: The Office proposal includes a provision requiring a federal district court to order a stay of proceedings or other appropriate relief of any claim brought before it that is the subject of a pending active Tribunal proceeding.⁴⁸ If the potential respondent were to decide to file a declaratory judgment of noninfringement in federal court instead of agreeing to participate in a Tribunal proceeding, it would seem that a Tribunal proceeding that commenced within the given time frame of an opt-out regime should be suspended. There is currently no provision in the proposed legislation to accomplish this.

Public Record Transparency: The Office Small Claims Report recommends that the outcome of Tribunal proceedings be nonprecedential.⁴⁹ Workshop participants agreed with this recommendation. Yet, there was a strong sense within the group that the outcomes of Tribunal adjudications should be explained in written opinions and that any filings in adjudicated cases, including any declarations filed in support of claims and defenses in addition to documents offered in support of claims or defenses, as well as the written opinion of findings and remedies ordered, should be matters of public record and available for public inspection.⁵⁰ Other transparency mechanisms

47. The Office proposal would allow parties to seek reconsideration by the Tribunal and, upon payment of an additional fee, review by the Register of the reconsideration decision. *See* SMALL CLAIMS REPORT, *supra* note 1, at 149 (§§ 1405(v)–(w) of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (§§ 1405(x)–(y)). Proposed provisions also would allow parties to apply to the D.C. District Court to have the tribunal decision vacated, modified, or corrected, but only where the decision was issued as a result of fraud or similar misconduct, where the Board exceeded or imperfectly executed its authority, or in the case of a default judgment or one based on failure to prosecute, upon a showing of excusable neglect. *See* SMALL CLAIMS REPORT, *supra* note 1, at 152 (§ 1407(c)); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (§ 1407(b)).

48. *See* SMALL CLAIMS REPORT, *supra* note 1, at 151 (§ 1406(d) of draft); H.R. 6496, 114th Cong. § 2 (2016) (same); H.R. 5757, 114th Cong. § 1408(a).

49. *See* SMALL CLAIMS REPORT, *supra* note 1, at 130, 150 (§ 1406 of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same). If, however, a Tribunal determined that a work alleged to be infringed had entered the public domain, it seems reasonable that such determination ought at least to be precedential within the Tribunal, so that in future claims brought involving the same work, the work's copyright status would not have to be resolved *de novo* each time.

50. *See* SMALL CLAIMS REPORT, *supra* note 1, at 140 (§ 1405(b) of draft (requiring the Tribunal to maintain records documenting the proceedings)); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same). The Office proposal would require the Tribunal decision and all relief awarded or any settlement terms to be in writing, and it

could include internal interpretive guidelines, externally vetted training materials, and periodic audits of decided cases, to minimize the possibility of systemic bias in the Tribunal's decisions.

V. POTENTIAL FOR ABUSES

Overuse by Corporate Owners & Assignees: The principal rationale for establishing a small claims procedure for copyright infringement is that many creators are deterred from filing infringement suits to seek damages for small claims due to the high costs of federal court litigation. As noted earlier, *supra* Part III, the most sympathetic potential claimant is the individual, independent author who is struggling to make a living. Of course, companies, whether big, medium, or small in size, might also want to use the small claims process to lower their costs of adjudicating copyright claims. Some workshop participants recognized that many companies can afford federal court litigation and noted that corporate plaintiffs are not a good fit within the distributive objectives of a Tribunal. Assignees of copyrights, whether individual or corporate, may abuse the Tribunal procedure by buying up small claims and seeking excessive damages before Tribunal panels. Overall, a small claims system tailored to the claims of individual creators of copyrightable works would better serve its intended purposes.

Statutory Damages: The most convincing rationale for adoption of statutory damages as a remedy for copyright infringement is two-fold: when it is impossible, as a practical matter, to prove actual damages and when it would be cost-prohibitive to prove them. The Tribunal proposal would not confine the award of statutory damages to only those circumstances. It would instead enable claimants to ask for \$15,000 per infringed work (up to the \$30,000 cap) if the owner had promptly registered the copyright or, departing from the copyright statute, \$7,500 per work for those who had not timely registered their copyrights (up to a \$15,000 cap).⁵¹

Given the well-known vagaries in the award of statutory damages under the current copyright regime,⁵² the likelihood is strong that virtually every

provides for the publication of its final determination on its website. *See* SMALL CLAIMS REPORT, *supra* note 1, at 146–47 (§ 1405(s) of draft); H.R. 6496, 114th Cong. § 2 (2016) (§ 1405(u)). H.R. 5757 provided for the publication of other records, subject to redaction. *See* H.R. 5757, 114th Cong. § 2 (2016) (§ 1405(s)).

51. *See* SMALL CLAIMS REPORT, *supra* note 1, at 110–12, 138 (§ 1403(d) of draft); H.R. 5757, 114th Cong. § 2 (2016) (§ 1403(e)); H.R. 6496, 114th Cong. § 2 (2016) (§ 1403(e)).

52. *See, e.g.*, Ben Depoorter & Robert Kirk Walker, *Copyright False Positives*, 89 NOTRE DAME L. REV. 319, 355–57 (2013) (describing a statutory damages regime that incentivizes plaintiffs to bring claims for a possible windfall, but not defendants to challenge them); Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439, 480–91 (2009).

claimant will demand statutory damages in the maximum amount. While the total statutory damages risk would be less than in federal court, the risks of excessive and arbitrary awards are still quite substantial under the proposed Tribunal regime. When a creator would have charged \$50 or \$500 for a license fee, an award of \$15,000 per work as statutory damages seems difficult to justify. Unless the Office was willing to develop guidelines and principles for awards of statutory damages, it is difficult to support creating another statutory damages regime for the Tribunal. Furthermore, removing statutory damages from the small claims process could be a strong incentive for potential defendants to participate in this system rather than opting out and waiting to see whether the plaintiff has the determination and financial means to pursue the matter in a federal district court.

Copyright Trolls: An additional reason to be concerned about statutory damages as well as corporate and assignee claimants is that this combination in regular copyright cases has given rise to opportunistic claims in federal court that are used to extract settlements from alleged infringers who choose to pay a few thousand dollars rather than having to undergo the expense of litigating a case in federal court. Copyright troll cases have been cluttering up federal court dockets.⁵³

If corporate owners and assignees can demand maximum statutory damages in Tribunal proceedings and obtain default judgments unless a person alleged to infringe affirmatively opts out, there will be a new venue in which this kind of opportunistic behavior will likely be manifest. There are at present insufficient mechanisms for deterring this opportunistic (and perhaps extortionate) conduct and possibly unfair settlements in the shadow of the risk of excessive statutory damages awards.⁵⁴

VI. UNDEREXPLORATION OF ALTERNATIVES

The Copyright Office Small Claims Report mentions but gives short shrift to alternative ways to enable copyright owners to be able to obtain compensation for small-scale infringements. The BCLT-Hastings workshop participants thought the Office should have given more attention to other alternatives, at least some of which may be worthy of greater support than the Tribunal proposal.

We understand that the Office is enthusiastic about expanding its role to address what it regards as a pressing need to provide meaningful remedies for

53. See, e.g., Matthew Sag, *Copyright Trolling: An Empirical Study*, 100 IOWA L. REV. 1105, 1107 (2015).

54. See, e.g., Depoorter & Walker, *supra* note 52, at 343–45.

infringement claims that are too expensive to litigate in federal court.⁵⁵ Cases can be too expensive for at least two reasons. First, some claims are just plain small. If the reasonable recovery to be expected is only \$1,000 or so, it is not a good use of the federal court system to adjudicate such claims. Moreover, few attorneys would be willing to take such cases. The cost/benefit ratio is too modest to make bringing such claims worthwhile. Second, many creators whose works are infringed have not registered copyright claims promptly in order to be eligible for awards of statutory damages and attorney fees.⁵⁶ Even if the amount potentially recoverable in federal court would be, for example, multiple tens of thousands of dollars, the costs of litigation would likely swamp the potential recovery for those ineligible for attorney fees or statutory damages awards.

Yet, there are other ways to address the small claims problem. Congress could, for instance, enable more creators to bring copyright infringement lawsuits for low-value claims by amending § 412 so that copyright owners would always be eligible for statutory damages and attorney fees. Lawyers who knew that a successful claim for \$1,000 or less would also result in attorney fee awards would have plenty of incentives to bring those small claim cases. (There would, of course, be a kind of inequity issue if the client ended up with \$1,000 and her attorney took home \$10,000–20,000, but this would address the lawyer incentives to bring claims.) This may be an undesirable alternative from the standpoint of flooding federal courts with low-value claims, as well as reducing the incentives for prompt registration of copyright claims, or further extending statutory damages (see earlier discussion in Part V), but it is an alternative.

The Report mentions mediation and arbitration as other possibilities to the Tribunal proposal, but noted a lack of enthusiasm for these processes among rights holders.⁵⁷ The Report nevertheless recommends considering those alternatives to some extent within the proposed small claims regime.⁵⁸ Perhaps a more thorough and neutral assessment of these options should get more attention.

Another alternative would be using the Uniform Domain Name Dispute Resolution Policy (UDRP) as a model for adjudicating copyright claims.⁵⁹

55. See, e.g., SMALL CLAIMS REPORT, *supra* note 1, at 3–4.

56. 17 U.S.C. § 412 (2012).

57. See SMALL CLAIMS REPORT, *supra* note 1, at 131–32.

58. See SMALL CLAIMS REPORT, *supra* note 1, at 153 (§ 1408 of draft) (designation as ADR process upon referral from district court); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

59. The Report described UDRP proceedings and noted that the Office received comments suggesting that UDRP could serve as a model for a copyright small claims system. SMALL CLAIMS REPORT, *supra* note 1, at 73–78; see Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345, 1411–

There was considerable skepticism about this approach at the workshop.⁶⁰

A more promising alternative would be demonstration projects using magistrates to address small copyright infringement claims in U.S. district courts.⁶¹ An advantage of this approach would be that it would be a lower cost way to resolve claims and the due process concerns noted above would more likely be avoided without the need for new legislation. Another advantage would be that the parties could resolve their disputes in the districts where they resided or did business instead of being forced to adjudicate their claims through one D.C.-based regime.⁶²

A primary driver of the proposal for a small-claims tribunal seems to be that claims with a relatively low maximum expected recovery are not currently brought because the copyright owner would have to pay more in attorney fees than she could recover in damages. One alternative to address this concern is to increase the availability of free or low-cost legal assistance to copyright owners with small claims. Copyright owners with small claims, especially individual independent authors and creators, already benefit to some degree from pro bono representation and advice from lawyer organizations such as the California Lawyers for the Arts.⁶³ Bar associations in major copyright industry cities could organize projects to provide more pro bono help to creators. Numerous clinics at law schools might also provide useful representation. Indeed, the federal funding that would presumably be needed to subsidize a Copyright Office small claims regime (which will cost a great deal more to run than would be paid for by filing fees) could instead be allotted

25 (2004) (proposing a p2p copyright dispute resolution system modeled on UDRP). The jurisdiction of the UDRP over trademark claims is extremely narrow, regarding cybersquatting claims only.

60. The issue of pro-complainant bias has dogged the UDRP process from the outset. WIPO reports that for all years the UDRP has been active (circa 1999), 86% of disputes have resulted in the transfer of the domain name to the complainant. Registrants have prevailed in only 12% of cases. See Annemarie Bridy, *Notice and Takedown in the Domain Name System: ICANN's Ambivalent Drift into Online Content Regulation*, 74 WASH. & LEE L. REV. 1345, 1357–58 (2017). Some of the same transparency concerns around public availability of filings have been raised about the UDRP as well. *Id.* at 1358.

61. The Office Report considered but quickly discounted the use of magistrate judges for small claims cases. See SMALL CLAIMS REPORT, *supra* note 1, at 93 (“Thus, absent a more general overhaul of existing procedures, the use of magistrate judges does not in itself present an obvious solution.”).

62. Another approach, not discussed at the workshop, was recently advanced by a practitioner that also involves the possible use of magistrate judges. See Morgan E. Pietz, *Copyright Court: A New Approach to Recapturing Revenue Lost to Infringement*, 64 J. COPYRIGHT SOC'Y USA 1 (2017). It calls for using existing federal court rules to create a copyright small claims procedure particularly with BitTorrent and photography cases in mind. See *id.* A magistrate resolution approach would also avert the implicit bias issues raised in Part VII.

63. See, e.g., SMALL CLAIMS REPORT, *supra* note 1, at 82–83.

towards legal representation for authors with small claims.

The Office Report examined the small claims court systems of various U.S. states⁶⁴ and concluded that state courts would not be the optimum forum for a copyright small claims process.⁶⁵ Workshop participants thought that further examination of state and local small claims courts might yield some useful lessons for how to devise standards, procedures, and practices for the copyright Tribunal. Some of these procedures might help to streamline Tribunal adjudications in the event that the Office did become the home of adjudication of small copyright claims.

VII. LARGER ISSUES POSED BY THE TRIBUNAL PROPOSAL

Lack of a Cost/Benefit Analysis of the Proposed Tribunal Regime:

A significant flaw of the Office Small Claims Report is that it fails to address cost/benefit issues posed by the proposed regime. It makes no effort to estimate how much it would cost for the Office to take on the ambitious role that the Tribunal proposal recommends. Nor does it indicate how those costs would be recouped. Because the claims would be small, the Office expects the filing fee to be very modest (\$100). It is thus clear that costs cannot be recouped from filing fees. If the proposal is enacted, the Tribunal would consist of three adjudicators and two full-time staff attorneys to handle all the cases in the Tribunal system.⁶⁶ But if the number of infringement claims is quite high, the Office would have to assign hundreds of people, if not more, to enable the envisioned Tribunal to operate on an ongoing basis. Furthermore, if demand should warrant a larger system over time, some escalation of costs needs to be projected at the outset. A realistic cost/benefit analysis should be undertaken before enactment of the proposed legislation.

What's So Special About Copyright? The high costs of federal court litigation deter copyright owners from vindicating their rights when they suffer modest levels of harm from violations of many types of federal laws. The Office Report does not recognize that the high-cost-of-litigation-deters-small-claims problem is a more general phenomenon. Nor does it try to make a case for why copyright violations are so special that a regime should be created that would address just these types of small claims and none others. Workshop participants noted a lack of empirical data in the Report about the scope of the problem that the Tribunal is supposed to address. One of the benefits of commissioning empirical research would be to better understand the likely

64. *See id.* at 52–61.

65. *See id.* at 94–97.

66. *See id.* at 100–01, 133 (§ 1401 of draft); H.R. 5757, 114th Cong. § 2 (2016) (same); H.R. 6496, 114th Cong. § 2 (2016) (same).

users of this regime, in order to create more effective incentives for opt-in participation. It would be helpful to have empirical data about alleged infringers' incentives, including the likely impact of current limitations on potential remedies applicable to them (e.g., caps on recoverable damages, attorney fee awards, etc.), more so than a generalized ABA survey from 2009 on which the Report relied.

Social Policy Favoring Precedents: Many copyright owners and lawyers who represent copyright owners are very supportive of the Tribunal proposal. If enacted as proposed, it may lead to a flood of cases being filed with the Office, perhaps even as to claims that are arguably worth much more than \$30,000, because the process is expected to be a quick and easy way to get an award. A countervailing social interest lies in the existence of a substantial body of judicial adjudication of copyright claims that will result in some precedent-setting decisions. If incentives to use the Tribunal process are very high, fewer precedents will be set and copyright law will become less transparent. Prospective users of copyrighted works and their lawyers will then have fewer precedents from which to assess the plausible legality of the users' plans. While proposed legislation provides for written decisions by the Tribunal and their publication, their lack of precedential value or persuasive weight would surely diminish the overall body of copyright law, particularly with regard to specific works and areas of the law.

Implicit Bias? Another issue considered at the workshop was whether setting up this tribunal would implicitly lead to outcomes biased against respondents. The main justification for establishing this new regime is to overcome the difficulty that copyright owners with modest-sized claims have in vindicating their rights and getting some compensation for infringing uses of their works.⁶⁷ Will Tribunal adjudicators be more receptive to claims made by copyright owners than to defenses raised by respondents? It is hard to know, but it is plausible that the adjudicators would want to demonstrate that they are helping authors get compensation by finding in favor of claims.

Separation of Adjudication and Policy: The Office's Tribunal proposal does not address whether (or how) the Office would separate Tribunal adjudication functions and the Office's policy functions. It is easy to imagine that there would be some spillovers unless the Office established a firm policy requiring a "wall" between these parts of the Office. Suppose, for instance, that a copyright owner made a claim for \$15,000 against an Internet Service Provider (ISP) on a novel secondary liability theory relevant to a legislative proposal on which Congress asked the Office to comment. If the tribunal found in favor of the ISP on the novel theory of secondary liability, policy staff

67. See, e.g., SMALL CLAIMS REPORT, *supra* note 1, at 1, 3.

preparing the Office's response to Congress might be inclined to defer to the theory its Tribunal had accepted. The Office Report does not address this issue.

VIII. CONCLUSION

The BCLT-Hastings Workshop delved into the small claims regime proposed for adoption by the Copyright Office's Small Claims Report. For reasons stated above, workshop participants had some serious reservations about the legislation contemplated in the Report and the bills introduced in 2016. The most pressing concerns of the group focused on the scope of the Tribunal's jurisdiction, on making the system more truly voluntary than the opt-out regime currently envisioned would, on adopting more procedural and substantive protections for respondents, and on ensuring that available remedies are commensurate with the lost profits that creators sustained.

IF YOU BUILD IT, THEY WILL COME: THE PROMISES AND PITFALLS OF A COPYRIGHT SMALL CLAIMS PROCESS

Ben Depoorter[†]

ABSTRACT

Copyright law provides fertile ground for small claims adjudication: an abundance of straightforward infringement claims remains unpursued because the costs of litigation in federal courts outweigh the monetary value at stake in many individual disputes.

This Article explains how a small claims process can infuse accountability and deterrence into copyright law by bringing to life meritorious infringement claims that otherwise remain negative value lawsuits, while discouraging dubious, opportunistic infringement allegations.

Applying incentive analysis, this Article then examines Congress's most recent proposal to institute a small claims board. It finds that the CASE Act's statutory damage provisions are mismatched with the voluntary nature of the small claims process. The CASE Act is likely to induce opportunistic claims as well as bluff opt-outs by defendants, rendering the small claims board ineffective. Ironically, the ambitious nature of the CASE Act system inadvertently pushes out adjudication of the very small claims that it seeks to salvage.

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I. INTRODUCTION

Copyright has a small claims problem. Litigation in federal court is prohibitively expensive for many copyright stakeholders. The time, effort, and legal costs involved with litigation outweigh the resources available to many copyright holders; especially in light of the modest amounts at stake in most disputes. By the same token, many accused infringers may prefer to settle even questionable claims rather than risk the burden and expense associated with litigation. In too many instances, especially when involving online infringements, litigation costs either impede the pursuit of valid infringement claims or defending against doubtful infringement claims.

Small claims adjudication offers a straightforward and promising path to tackle copyright’s problem of negative value suits. A small claims court can provide a smoother, more cost-effective venue to decide minor, straightforward infringements. Ideally, such a process enables sympathetic plaintiffs, such as individual photographers and independent fashion designers, to pursue relief against infringers, while also enabling accused infringers to mount an efficient defense against dubious accusations by opportunistic plaintiffs.

Although calls to establish a small claims copyright court have surfaced periodically over the past few decades, prior efforts to establish a small claims tribunal have failed. The Copyright Alternative in Small-Claims Enforcement (CASE) Act of 2017 is the latest attempt to create a court dedicated to resolving small copyright claims. The proposed copyright board would be authorized to handle copyright infringement claims as well as abuses of notice-and-takedown claims under 17 U.S.C. § 512(f) on an accelerated basis, with streamlined procedures and only minimal discovery.

Unfortunately, however, the small claims process, as envisioned by the CASE Act, is flawed. In this Article, I argue that the CASE Act suffers from deep shortcomings that will render the proposed small claims process ineffective.

One major defect concerns the CASE Act's remedial framework. In order to relieve plaintiffs from the difficulties and costs of proving actual damages, the CASE Act provides claimants with the option to elect statutory damages. For registered works, copyright owners can request statutory damages up to \$15,000 per infringed work (with a \$30,000 overall cap), or \$7,500 per work that has not been timely registered (up to a \$15,000 cap).¹ In light of the often rather modest harm associated with "small" claims, this number is steep. Most problematic, these numbers are likely to induce opportunistic claims by plaintiffs and strategic opt-outs by defendants.

If the patterns observed in federal district courts are any indication,² the potential for steep statutory awards at the small claims level makes it likely that virtually every claimant will demand statutory damages in the maximum amount there. In minor infringement cases however, when a creator might have charged \$500 to license the infringed work, a potential award of \$15,000 per work as statutory damages is quite intimidating. To be sure, such awards are well below the statutory range applicable in federal courts. But the tribunal's smooth, low cost procedure reduces the barrier to bring such claims.

Additionally, the imposing nature of the CASE Act's statutory damage range is problematic also in light of the voluntary nature of the proposed

1. See U.S. COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS: A REPORT OF THE REGISTER OF COPYRIGHTS 110–12, 138 (2013) [hereinafter SMALL CLAIMS REPORT]; H.R. 5757, 114th Cong. § 2 (2016) (§ 1403(e)); H.R. 6496, 114th Cong. § 2 (2016) (§ 1403(e)).

2. On the statutory damage regime's inadvertent effect of generating opportunistic infringement claims by plaintiffs, see Ben Depoorter, *Copyright Enforcement in the Digital Age: When the Remedy is the Wrong*, 67 UCLA L. REV. (forthcoming 2019) (providing empirical evidence that enhanced statutory damages claims are commonplace in virtually all areas of copyright law); see generally Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 WM. & MARY L. REV. 439 (2009).

copyright small claims system. The CASE Act operates on an opt-out basis. An alleged infringer's consent is assumed but a respondent can opt-out within a short time period. The risk of statutory damage awards reduces the incentive of defendants to participate in the small claims system. Faced with potentially excessive damage awards, many plaintiffs will likely opt out. Although a defendant faces a potentially steeper award at the federal level, opting out of the small claims process is appealing if the accused infringer suspects that the plaintiff might not have the determination or financial means to pursue the claim in federal court. Whenever the defendant calls the bluff of the plaintiff by opting out of small claims adjudication, we are back to the status quo: infringement claims that are costlier to pursue than warranted by the amount at stake.

How will all of this play out? The likely outcome is that the CASE Act will induce a large number of claims by plaintiffs, a sizeable number of opt-outs by defendants, and a substantial amount of default judgements. These default judgements can be enforced in federal court and overturned only if there is evidence of fraud, corruption, misrepresentation, or other misconduct. Overall then, instead of administering straightforward infringement claims for modest amounts, the CASE tribunal will induce opportunistic claims by plaintiffs and bluff-calling opt-out decisions by defendants.

This Article proceeds as follows. Part II describes how litigation costs create negative value suits and analyzes their negative effects on the copyright system. Part III reviews prevailing institutional measures and doctrines that reduce the costs of litigation and explains why these are inadequate to resolve copyright's small claims problem. Parts IV and V describe the key aspects of an effective small claims system and highlight the flaws of the CASE Act. An incentive analysis reveals that the proposed small claims process is bound to generate default judgements and "bluff" opt-outs. Part VI provides recommendations for a more narrowly tailored but more effective system of small claims adjudication.

II. COPYRIGHT LAW'S SMALL CLAIMS PROBLEM

Many copyright infringements have limited stakes. Especially in the digital arena, each individual, everyday infringement inflicts very modest harm on copyright holders. An unlicensed use of a photograph online, for instance, might be worth \$500 in lost licensing profits.

The economics do not favor pursuing these minor infringements. Given the costs of moving a case through a federal court, the vast majority of copyright infringements are, what the economists term "negative value suits."

Whenever a copyright plaintiff considers legal action against infringers,³ he or she will weigh the cost of enforcement against the likely benefit.⁴ While an infringement claim might have merit (i.e., a chance of success above 50%), the litigation costs often outweigh the expected award.⁵ For instance, even if the probability of the plaintiff prevailing in court is 80% and the damage claim will be \$10,000, the plaintiff has no financial incentive to pursue the claim if litigation costs are likely to exceed \$8,000.

The negative value of these modest infringement suits renders the plaintiff's threat to litigate non-credible. Because negative value claims are not a credible basis for litigation, the defendant is unlikely to settle the case at terms that reflect the expected outcome at trial—since trial is not a cost-effective proposition for the plaintiff.

Likewise, the costs of litigation can also affect defendants in copyright infringement disputes. In many instances, contesting an infringement claim is an unappealing proposition.⁶ If the litigation costs are likely to exceed the expected value obtained from defending the case in trial, the defendant is better off settling the case out of court—even if a defense would likely be successful.⁷

Negative value suits harm the integrity of the copyright system in several ways. First, whenever enforcement costs create negative value suits, they create a gap between the private and social incentives to enforce.⁸ Although the social

3. Public prosecutions of violations of copyright law are relatively uncommon, however, expect for some high-profile cases. On the gap between criminal copyright law in the books and in action, see Eldar Haber, *The Criminal Copyright Gap*, 18 STAN. TECH. L. REV. 42 (2015).

4. See William Landes & Richard Posner, *Adjudication as a Private Good*, 8 J. LEGAL STUD. 235 (1979) (providing a seminal formal model of the behavior of the decisions by rational litigants).

5. The value of a claim is determined by the probability of success in trial multiplied by the expected award, minus the costs of litigation. See generally John Gould, *The Economics of Legal Conflicts*, 2 J. LEGAL STUD. 279 (1973).

6. Note that legal actions taken by the plaintiff might have positive value even if the opposite is true for the defendant. For instance, the plaintiff might have lower litigation costs than the defendant. On efforts by plaintiffs to reduce enforcement costs, see Ben Depoorter & Robert Walker, *Copyright False Positives*, 89 NOTRE DAME L. REV. 319, 326–27 (2013) (describing use of bots and other technical measures that automate detection of infringements and enforcement); Maayan Perel & Niva Elkin-Koren, *Accountability in Algorithmic Enforcement: Lessons from Copyright Enforcement by Online Intermediaries*, 19 STAN. TECH. L. REV. 473 (2016) (questioning lack of transparency with regard to algorithmic law enforcement). Additionally, a lawsuit may have potential precedent value or a potential mobilizing value to the plaintiff. See Ben Depoorter, *The Upside of Losing*, 113 COLUM. L. REV. 817 (2013).

7. Lucian Bebchuk, *Suing Solely to Extract a Settlement Offer*, 17 J. LEGAL STUD. 437 (1988).

8. Plaintiffs do not usually take into account the positive effect of his lawsuit on the deterrent function of the tort system. This problem will be especially acute if the social benefits

benefits of enforcement might be substantial, an individual right-holder lacks the incentives to shoulder the expense of enforcement.⁹

Given that private enforcement bolsters the deterrent effect of the legal system, a collective action problem is at work here. As a group, copyright holders benefit from enforcement since it increases the expected costs of copyright infringement and, consequently, reduces the total number of infringements. Individually, however, each right holder prefers that others incur the effort and expenses associated with the enforcement of negative value suits. Overall, this enforcement collective action problem leads to under-enforcement, undermining the deterrent effect of the copyright system.

Second, enforcement costs enable opportunistic litigation on behalf of plaintiffs.¹⁰ Aggressive litigants can capitalize on the costs and effort involved with defending the accusation in federal court. Although some defendants might have a reasonable prospect of prevailing at trial, the litigation costs might be prohibitive for many defendants. For that reason, some defendants might settle even some dubious, low merit infringement claims. These dynamics figure prominently in the enforcement practices by copyright trolls.¹¹

Third, litigation costs have rendered ex-post injunctions as the de facto remedy for modest copyright infringements. The vast majority of modest infringements are dealt with through the Digital Millennium Copyright Act's notice-and-takedown system.¹² Injunctions, however, leave copyright holders without compensation for the unauthorized use, distribution, or performance of a copyrighted work prior to the takedown. Although injunctions protect against further infringements, right holders are not adequately compensated for the value obtained by the infringer prior to the injunction.

It can be argued that low stake copyright infringements do not merit enforcement because the social costs of doing might exceed the benefits. This criticism is valid only, however, if one regards the costs of enforcement as fixed. If, however, the costs of enforcement can be reduced, additional

of a lawsuit outweigh the private gains of the plaintiff. See Steven Shavell, *The Social Versus the Private Incentive to Bring Suit in a Costly Legal System*, 11 J. LEGAL STUD. 333 (1982).

9. *Id.*; see also Peter S. Menell, *A Note on Private versus Social Incentive to Sue in a Costly Legal System*, 12 J. LEGAL STUD. 41 (1983).

10. See, e.g., David Rosenberg & Steven Shavell, *A Model in Which Suits Are Brought for Their Nuisance Value*, 5 INT'L REV. L. & ECON. 3 (1985).

11. See Matthew Sag, *Copyright Trolling, An Empirical Study*, 100 IOWA L. REV. 1105 (2015) (providing empirical evidence and discussion of copyright trolling); Matthew Sag & Jake Haskell, *Defense Against the Dark Arts of Copyright Trolling*, 103 IOWA L. REV. 571 (2018).

12. See Matthew Sag, *Internet Safe Harbors and the Transformation of Copyright Law*, 93 NOTRE DAME L. REV. 499 (2017) (examining the displacement of substantive copyright law by the Digital Millennium Copyright Act's intermediary safe harbors system).

enforcement may increase accountability.¹³ This is the potential value of small claims adjudication and other means to increase access to justice.

III. HOW TO DEAL WITH NEGATIVE VALUE CLAIMS

Negative value claims are of course not unique to copyright disputes. Some of the proven instruments that increase access to justice include public aid, legal insurance, statutory damages, contingency fees, and fee-shifting. This Part briefly reviews the impact and limitations of each of these instruments in the copyright arena.

A. LEGAL AID

By providing assistance to individuals that are otherwise unable to afford legal representation, legal aid directly addresses the issue of access to the legal system. Subsidized litigation, pro bono, and other legal aid measures decrease the financial burden of legal action and, subsequently, the ability and willingness of individuals to initiate or defend a lawsuit. By taking the litigation costs out of the equation for plaintiffs and defendants, legal actions become feasible.

Along the same lines, the growth of clinical legal education in the area of intellectual property law provides an additional avenue for cash-strapped plaintiffs and defendants to pursue litigation. Although copyright law may seem removed from many of the issues most familiar to clinical settings,¹⁴ the past two decades have seen an exponential rise of clinics that handle copyright disputes.¹⁵ Pro bono work, legal aid, and IP clinics help overcome the chilling

13. It is important to note here that this statement rest on the theoretical assumption that copyright protection is set at the socially optimal level. In utilitarian terms this implies that copyright's monopoly effect does not extend beyond what is needed to set the optimal incentives to create, produce, and distribute copyrighted works. See Talha Syed & Oren Bracha, *Beyond the Incentive-Access Paradigm? Product Differentiation & Copyright Revisited*, 92 TEX. L. REV. 1841, 1848 (2014). A growing literature shows, however, that creative processes are often unrelated to copyright protection. See generally KATE DARLING & AARON PERZANOWSKI A., *CREATIVITY WITHOUT LAW: CHALLENGING THE ASSUMPTIONS OF INTELLECTUAL PROPERTY* (2017). But see Jonathan Barnett, *Copyright Without Creators*, 9 REV. L. & ECON. 389 (2013) (arguing that copyright law is essential to intermediaries that incur the capital-intensive risks related to the creation and distribution of content).

14. See Christine Haight Farley, Peter Jaszi, Victoria Phillips, Joshua Sarnoff & Ann Shalleck, *Clinical Legal Education and the Public Interest in Intellectual Property Law*, 52 ST. LOUIS U. L.J. 735, 737 (2008) (“[S]tudents have typically worked with laws and in practice areas having a direct impact on the lives of poor or otherwise disadvantaged people.”).

15. See Cynthia Dahl, *Solving Ethical Puzzles to Unlock University Technology Transfer Client Work for an Intellectual Property Legal Clinic*, 23 B.U. J. SCI. & TECH. L. 1, 1. (2017) (“Intellectual property (IP) and technology legal clinics are experiencing an unprecedented surge in popularity. Before 2000, there were only five such clinics, but by 2016, there were seventy-four, with fifty added since 2010 alone.”).

effect of litigation costs on the pursuit of justice in the field of intellectual property law.

Unfortunately, legal aid is hardly a panacea for copyright law's small claims problem. Due to resource limitations, clinics and public aid are not available to all plaintiffs or defendants in need of financial assistance. Due to resource constraints, eligibility for these support measures is selective. Clinics, for instance, may need to focus on cases that could have precedent impact.

As a result, legal aid measures fall short of the social goal of promoting copyright accountability and deterrence in a comprehensive manner, especially as it concerns small claims regarding straightforward infringements.

B. LEGAL EXPENSE INSURANCE

Legal expense insurance reduces the burden of litigation for policy holders. Such policies may provide coverage of the costs of defending against a lawsuit (*passive* insurance policies) and/or the expenses of plaintiffs to bring forth and litigate a claim in court (*active* insurance policies).

In theory, legal expense insurance policies can significantly boost accountability. By improving access to the legal system, legal expense insurance bolsters the deterrent effect of copyright law.¹⁶ For instance, if active legal insurance policies would be widespread in the area of copyright, legal expenses will not stand in the way of the pursuit of valid infringement claims in court or to defend against doubtful or opportunistic infringement claims.¹⁷ Consequently, by increasing the likely pushback by potential plaintiffs and defendants, legal expense insurance may infuse culpability and deterrence in copyright law.¹⁸ If legal expense insurance coverage for copyright liability is widespread, potential infringers or opportunistic claimants realize ex-ante that cash constraints are unlikely to deter legal action by their counterparties. A potential copyright infringer or copyright troll, for instance, will prefer to avoid a dispute with a legal insurance policy holder.

16. See MICHAEL TREBILCOCK, ONTARIO MINISTRY OF THE ATTORNEY GENERAL, *Section VII: Innovations in Service Delivery*, in REPORT OF THE LEGAL AID REVIEW 2008, (“[L]egal insurance may be one means to significantly improve access to justice”); see also Alastair Gray & Neil Rickman, *The Role of Legal Expenses Insurance in Securing Access to the Legal Services Market*, in REFORM OF CIVIL PROCEDURE: ARTICLES ON ‘ACCESS TO JUSTICE’ 305, 310 (A.A.S. Zuckerman & Ross Cranston eds., 1995).

17. See Gray & Rickman, *supra* note 16.

18. By increasing the overall risk of facing legal action, legal insurance policies significantly enhance deterrence and the bite of the legal system in general. See generally Jef De Mot, Ben Depoorter & Michael G. Faure, *The Multiplication Effect of Legal Insurance*, 13 N.Y.U. J.L. & BUS. 1 (2016) (describing multiplication effect of legal expense insurance if coverage is not observable ex ante).

Despite these potential benefits, active legal insurance policies are relatively uncommon. Individuals rarely take out active insurance policies that cover the cost of bringing litigation lawsuits. This applies to many areas of law including intellectual property law. Intellectual property liability insurance is limited to a few selected industries and mostly held by companies.¹⁹

C. STATUTORY DAMAGES

In U.S. copyright law, a copyright holder can elect that the jury sets a statutory damage award.²⁰ In addition to boosting deterrence,²¹ statutory damages remove the burden and costs associated with proving harm. In this regard, statutory damages enable the pursuit of meritorious infringement claims that otherwise would be out of reach for cash-strapped plaintiffs.²² Independent photographers and designers, for instance, rely on the litigation cost reducing-effect of statutory damages in order to obtain recourse against online infringements of their works.

Like the other instruments described in this Section, statutory damages fail to adequately address copyright law's small claim problem, however. First, litigating small claims remains cost prohibitive to many plaintiffs, even when statutory damages relieves them from the burden of proving actual damages. Second, statutory damages give rise to a small claims issue for *defendants*.

19. For descriptions of intellectual property insurance, see generally, Meredith M. Mason & Evan C. Pappas, *Insurance and intellectual property litigation*, in INTELLECTUAL PROPERTY DESKBOOK FOR THE BUSINESS LAWYER 305-07, 312-15 (Sandeen, S. K., ed., 2013); DAVID A. GAUNTLETT, IP ATTORNEY'S HANDBOOK FOR INSURANCE COVERAGE IN INTELLECTUAL PROPERTY DISPUTES 97-98 (2nd Ed. Chicago: American Bar Association, 2014).

20. See 17 U.S.C. § 504(c) (2012).

21. See, e.g., *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994) (noting purpose of statutory damages under Copyright Act was "to penalize the infringer and to deter future violations" (quoting *Chi-Boy Music v. Charlie Club, Inc.*, 930 F.2d 1224, 1228-29 (7th Cir. 1991)); Ben Sheffner, *Constitutional Limits on Copyright Statutory Damages*, 158 U. PA. L. REV. PENNUMBRA 53, 60 (2009) (emphasizing role of statutory damages for purpose of attaining effective deterrence in the face of massive online copyright infringements).

22. See, e.g., Stephanie Berg, *Remedying the Statutory Damages Remedy for Secondary Copyright Infringement Liability: Balancing Copyright and Innovation in the Digital Age*, 56 J. COPYRIGHT SOC'Y U.S.A. 265, 273-74 (2009) (explaining that when Congress enacted the original Federal Copyright Act in Beginning in 1790, "[t]he original purpose of statutory damages was to provide a minimum award to copyright owners because of the difficulty of measuring actual damages" and profits); *Star's Edge, Inc. v. Braun (In re Braun)*, 327 B.R. 447, 451-52 (Bankr. N.D. Cal. 2005) ("Statutory damages for copyright infringement are similar to unproven damages for violation of privacy in that actual damages resulting from such a wrong are difficult to prove, and legislatures have created a statutory remedy for this reason.").

Copyright owners almost universally demand *enhanced* statutory damages.²³ Due to the low amount at stake, defending these claims does not make sense to many defendants.²⁴ Against this backdrop, some opportunistic plaintiffs abuse the statutory damages framework to intimidate risk-averse defendants into making settlement concessions; even on the basis of dubious infringement claims. The alternative for these defendants—incurring the steep litigation costs to bring a successful defense—is dire.²⁵

D. FEE SHIFTING

Fee shifting is one of the most straightforward approaches to litigation costs. By shifting the litigation costs onto a losing party, fee shifting reduces the prospective costs of pursuing a claim with high merit in court. In this manner, fee shifting tempers the problem of small claims in copyright law and the issue of negative value suits.

Additionally, by shifting the expenses of litigation to the losing party, Article 544 of the Copyright Act forces a plaintiff to think hard about filing a doubtful or opportunistic infringement claim. If a defendant is convinced of a positive outcome in trial, he or she will push back without concern about legal expenses.²⁶

Nevertheless, fee shifting is hardly a panacea for copyright's small claims problem. The outcome of copyright litigation is often hard to predict. Copyright infringement disputes that involve non-literal similarity are influenced by many subjective elements. Many of copyright law's legal standards, such as fair use, generate high levels of uncertainty.²⁷ Without being able to rely on a positive verdict, fee shifting is a daunting proposition to risk-averse litigants. In the event of a defeat at trial, the litigant potentially bears not only his or her own legal expenses but also those of the opposing party. Ironically, individuals that are most fearful about this potential downside of

23. See Depoorter, *supra* note 2 (providing empirical evidence that statutory damages claims are commonplace in virtually all areas of copyright law).

24. See Matthew Sag, *Copyright Trolling, An Empirical Study*, 100 IOWA L. REV. 1105, 1114–15 (2015) (providing empirical evidence of copyright trolling practices).

25. When, for instance, the recording industry offered college students the opportunity to settle their cases for amounts ranging between \$3,000 and \$11,000, most of the reportedly 30,000 defendants did so without hesitation. See Jeff Leeds, *Labels Win Suit Against Song Sharer*, N.Y. TIMES (Oct. 5, 2007) <https://www.nytimes.com/2007/10/05/business/media/05music.html> [<https://perma.cc/GPF4-CY2G>].

26. See generally Ben Depoorter & Peter S. Menell, *Using Fee Shifting to Promote Fair Use and Fair Licensing*, 102 CALIF. L. REV. 53, 71–81 (2014) (proposing new fee shifting mechanism to induce fair dealing and reasonable licensing offers by copyright holders).

27. For a discussion of the role of legal standards on uncertainty in copyright law, see Ben Depoorter, *Technology & Uncertainty: The Shaping Effect on Copyright Law*, 157 U. PA. L. REV. 1831, 1862–65 (2009).

fee-shifting—cash-strapped individual plaintiffs—are also the ones who are most burdened by litigation costs. Overall, in a world of high uncertainty and fee shifting, the small claims problem remains in effect.

IV. THE PROMISE OF A SMALL CLAIMS COURT

Can copyright law's small claims problem be addressed by creating a small claims court? This Part describes the promise of small claims adjudication.

First, litigation costs are most problematic when they stand in the way of the pursuit of claims with high merit. Ideally, a small claims process enables plaintiffs with meritorious claims (i.e., with a probability of success at trial well above 50%) to obtain redress for infringements that otherwise would be hindered by litigation costs. By providing a fair outcome to these “sympathetic plaintiffs,” the small claims process improves the ecology of copyright law.

Second, by enabling cost-effective enforcement, small claims adjudication might reduce the occurrence of opportunistic infringements. Many minor infringements, for instance in online settings, are facilitated by the knowledge and comfort of infringers that most copyright holders will not take on the expenses of the federal court system to pursue a modest infringement claim. The presence of a small claims system fills that void, eroding the prevailing comfort among “opportunistic infringers” that enforcement will be unlikely.

Third, a small claims process should enable defendants to effectively fight off dubious accusations. Currently, litigation costs are used by some plaintiffs as leverage to obtain settlements even for infringement claims that are dubious (i.e., with a probability of success of trial that is well below 50%). Such “opportunistic plaintiffs” anticipate that cash-strapped or risk-averse defendants will prefer the certainty of a small loss in settlement over an uncertain outcome in federal court. In the presence of a small claims process, however, accused infringers can mount a defense against opportunistic claims without incurring steep litigation costs.

Fourth, in the process of empowering defendants, a small claims process can help deter opportunistic action by plaintiffs. If defendants can cheaply and effectively ward off such claims in the setting of small claims court, this has the ex-ante effect of discouraging opportunistic claimants, including copyright trolls.

The following table illustrates the promise of a small claims process, as described in the previous paragraphs.

Table 1: Desirable Effects of a Small Claims Process

<u>Copyright Stakeholder</u>	<u>Effect of a Small Claims Process</u>
Sympathetic plaintiffs	Enables legal pursuit
Opportunistic infringers	Enhances deterrence
Sympathetic defendants	Enables legal defense
Opportunistic plaintiffs	Reduces incentives

V. THE CASE ACT: POTENTIAL PITFALLS

Calls to establish a “small claims” copyright court have surfaced periodically over the past few decades. A legislative initiative to create a small claims tribunal within the U.S. Copyright Office is gaining momentum on Capitol Hill. The Copyright Alternative in Small-Claims Enforcement (CASE) Act of 2017 proposes to implement a report by the U.S. Copyright Office to set-up a “Copyright Claims Board.” This board, consisting of three copyright officers, will be authorized to handle copyright infringement claims as well as abuses of notice-and-takedown claims under 17 U.S.C. § 512(f) on an accelerated basis, with streamlined procedures and only minimal discovery.

Unfortunately, however, the copyright small claims tribunal, as written into H.R. 5757, fails to fully live up to the promise of a small claims process as described in Part IV.

Academic commentators have expressed various concerns about the CASE Act. These objections include the limits that will be imposed on appeals, the lack of transparency of documents pertaining to proceedings, due process issues relating to filing and serving claims, and constitutional issues relating to the proposed opt-out system as well as the Seventh Amendment right to jury trial.²⁸

This Part exposes a number of structural flaws of the CASE Act that render the proposed small claims process ineffective. The various figures included below set out the various potential decisions by litigants under the CASE Act.

Currently, in the absence of a copyright small claims court, an aggrieved copyright holder/plaintiff must decide to either to pursue the infringement of

28. A group of scholars, specialized in economics, civil procedure, and intellectual property, have expressed various reservations about the CASE Act. For a report and recommendations, see generally Pamela Samuelson & Kathryn Hashimoto, *Scholarly Concerns About a Proposed Small Copyright Claims Tribunal*, 33 BERKELEY TECH. L.J. 689 (2018).

his or her work in federal court, offer a settlement, or drop the case altogether. If the claim has negative value (i.e., the litigation costs in federal courts outweigh the expected payoff from trial), a plaintiff has no credible threat to sue. Most small, negative value claims are not pursued—at least not beyond an initial settlement demand letter or DMCA take-down notice. Point “A” in Figure 1 below is where most small claims go to die: the plaintiff drops the case without receiving compensation from the infringer.

Figure 1: Addition of Small Claims Trajectory



A small claims tribunal, such as envisioned by the CASE Act, opens a different avenue to prospective plaintiffs. As an alternative to the federal court system, the plaintiff can elect to have the dispute brought before the small claims tribunal.

When the plaintiff elects the trajectory of the small claims process, the respondent will be notified by the small claims board. The respondent now has several options. If the respondent does not expressly opt out within a certain time frame, the alleged infringer’s consent is assumed, and the small claims board can proceed with adjudication.²⁹ The respondent may welcome the opportunity to respond to the allegations in a timely and cost-effective manner. This avenue is particularly helpful to defendants that have strong counterarguments but who might lack the financial resources to mount a vigorous defense in federal court. Scenario 1 (represented by outcome “B” in Figure 1 above) represents the ideal role of a small claims court. A plaintiff can bring his or her case in an efficient and effective manner and the defendant can present counterarguments or settle the case. The costs savings of the small claims process bring to life what otherwise would be a negative value dispute (to the plaintiff and/or defendant). Either the plaintiff or defendant is wrong in his or assessment of the likely outcome at trial but adjudication in the small

29. See SMALL CLAIMS REPORT, *supra* note 1, at 147 (§ 1405(t) of draft).

claims court will settle the matter. By salvaging negative value claims (outcome “A” in Figure 1 above), a small claims process increases overall accountability for copyright stakeholders. Moreover, if the outcomes of the small claims board are a matter of public record,³⁰ it also adds transparency to the field of copyright law more generally.

In a second potential scenario, the defendant settles the case upon receiving a notification from the small claims board. This potential outcome, represented by “C” in Figure 1 above, is likely especially when the defendant is aware that his or her behavior was infringing and that fighting back is a losing proposition. Note that outcome C of the second scenario is also made possible by the costs-savings aspect of a small claims system. In the absence of a small claims court, a defendant might be less inclined to settle. An opportunistic defendant might wager that the plaintiff (1) does not have the resources to pursue the claim in federal court and/or (2) would need to spend more on federal litigation than the small claim warrants. Given that a small claims procedure drastically reduces the costs of pursuing the infringement claim, the defendant no longer has the luxury of sitting back and calling the bluff of the plaintiff.

If the defendant has meritorious counterarguments, the defendant will likely fight back (outcome “B” above). If the defendant has no real counterarguments, he or she will likely seek to resolve the dispute in settlement (outcome “C” above). Both outcomes highlight the potential added-value of a small claims process in copyright law: more plaintiffs are able to pursue credible claims in a cost-effective manner and defendants are able to challenge doubtful claims. The cost savings of a small claims process revitalize valid claims that are otherwise dead in the water because of litigation costs (outcome “A” in Figure 1) and reduce the likelihood that defendants will settle dubious claims simply to avoid the costs of standing up to opportunistic plaintiffs.

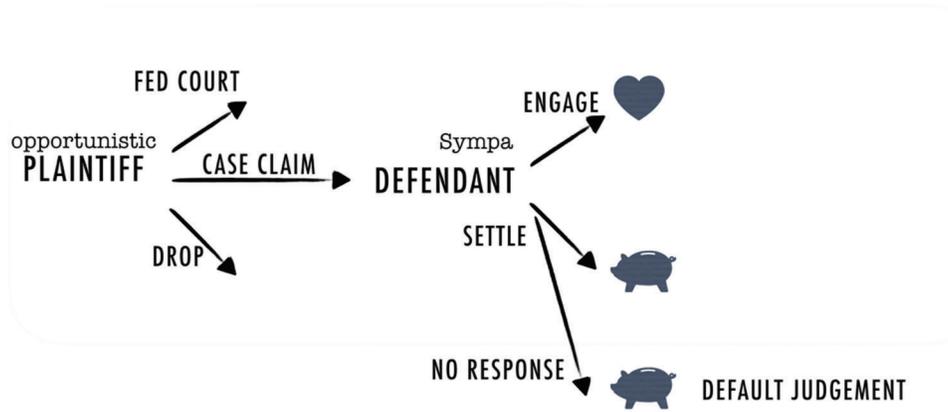
Unfortunately, however, a small claims procedure also brings to life other outcomes that conflict with the goals of the copyright system.

As a third outcome, a defendant may fail to respond to the letter from the small claims board. In such an event, the plaintiff can turn to federal court or continue the small claims process. The proposed CASE Act provides that the

30. *See id.* at 140 (§ 1405(b) of draft (containing requirement to maintain records that document the proceedings)); H.R. 5757, 114th Cong. § 2 (2d Sess. 2016) (same); H.R. 6496, 114th Cong. § 2 (2d Sess. 2016) (same). The Copyright Office proposal would require the board decisions, awards or any settlements to be in writing, and provides for publication of final determination on a website. *See* SMALL CLAIMS REPORT, *supra* note 1, at 146–47 (§ 1405(s) of draft); H.R. 6496, at § 2 (§ 1405(u)). H.R. 5757 provided for the publication of other records, subject to redaction. *See* H.R. 5757, at § 2 (§ 1405(s)).

small claims court can issue default judgements if the accused party is non-responsive. A successful claimant can then request an order from a federal court to enforce the small claim ruling against the defaulting party. Such a default judgement can be challenged upon a showing of excusable neglect.³¹

Figure 2: Default Judgement “Mill” Trajectory



Although default judgements provide recourse to sympathetic plaintiffs (claims with a probability of success above 50%) against infringers, this trajectory has a dark side as well. In the hands of an opportunistic plaintiff (i.e., asserting claims with a probability of success well below 50%), however, the small claims process could potentially be used as a remedial scheme to reach quick default judgements against sympathetic defendants that fail to respond in a timely manner. Those defaults can be taken to district courts for enforcement. Figure 2 above illustrates this potential scenario. In the most perverse variation of this scheme, an opportunistic plaintiff could file dubious infringement claims and withdraw claims whenever a respondent reacts. The resulting default judgements might present a new income stream to copyright trolls and other malign enforcement intermediaries.³²

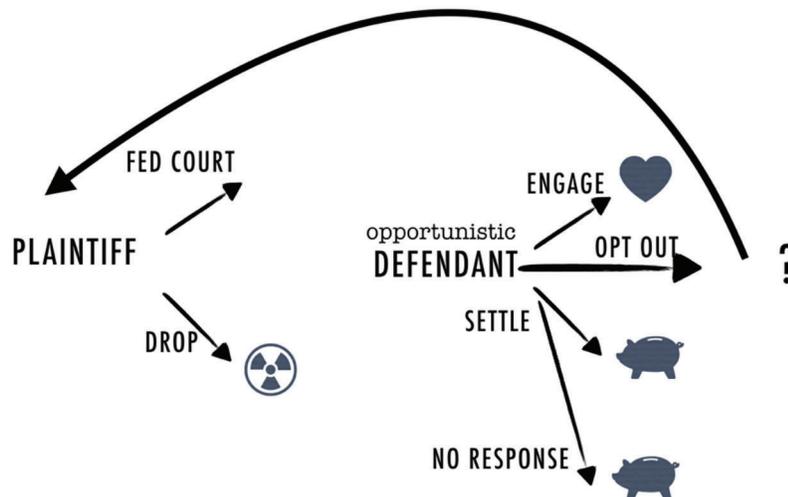
A fourth outcome is enabled by the CASE Act’s opt-out provision. A defendant is always free to withdraw from the CASE procedure. This voluntary nature of the small claims process is motivated in part by constitutional limitations on the type of courts and jurisdiction that can be

31. See SMALL CLAIMS REPORT, *supra* note 1, at 151–52 (§ 1407 of draft). See *id.* at 152 (§ 1407(c)); H.R. 5757, at § 2 (same); H.R. 6496, at § 2 (§ 1407(b)).

32. An updated version of H.R. 3945 seeks to temper this issue by adding an adjustable limit of 10 cases per year per claimant. AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 3945, *supra* note 1 (§ 1403(g) of draft).

created in the copyright context.³³ The opt-out mechanism opens the door to opportunistic actions by defendants, however. A self-aware, guilty defendant may seek to exploit the opt-out provision in order to reset the dispute to the federal status quo. Figure 3 below illustrates this scenario. If the defendant declines the small claims tribunal's jurisdiction, the plaintiff is back at square one. The sympathetic plaintiff with a valid claim must either pursue the case in federal court or drop the claim. The defendant faces steeper statutory awards at the federal level but, by opting out, the defendant can call the plaintiff's bluff and challenge him or her to incur the full costs of litigation in federal court. As a result, the opt-out provision enables opportunistic infringers to bring back to life the very negative value suit issue that plagues so many copyright small claims.

Figure 3: Opportunistic Opt-Outs: "Bluff" Trajectory



Revisiting the goals outlined in Table 1 above, the small claims process of the CASE Act accomplishes some of the stated goals of copyright small claims adjudication, fails at others, while creating some inadvertent and undesirable side effect.

At its best, the small claims system, as contemplated by the CASE Act, enables action by presumptively sympathetic plaintiffs against presumptively sympathetic defendants. The litigation cost savings enable both parties to present their arguments in adjudication. At the same time, however, opportunistic infringers do not fear the CASE Act's small claims process.

33. See Samuelson & Hashimoto, *supra* note 28, at 697–98.

Unless defendants are sufficiently risk-averse, the opt-out provision enables them to bring back to life the negative value problem faced by the sympathetic plaintiff—the very same issue that a small claims process seeks to address in the first place. In this regard, the CASE Act is a step forward in some instances but leaves unaltered the plight of cash strapped plaintiffs that face opportunistic defendants. Infringers, currently shielded by the federal costs of litigation, will not be deterred by the small claims system. Most problematic, however, is the inadvertent addition of a new avenue of opportunistic monetization of copyright claims. The potential of a quick default judgment mill is a step backward and should be fixed or its costs be weighed against the potentially countervailing positive effects of the CASE Act. The type of scenario that will play out will depend on the fact patterns at hand in each dispute and the motives of the individual litigants.

In the next Part, I provide and discuss a number of policy options that would improve the design of the CASE Act's small claims process.

VI. THE CASE ACT: POTENTIAL IMPROVEMENTS

This Part provides a number of concrete policy suggestions that address potential shortcomings of a small claims system, including the design flaws of the CASE Act that were highlighted in Part V. An effective small claims court should handle simple disputes, offer modest compensation, set out reasonable statutory damage awards, apply adjusted filing fees, and offer defendant opt-in.

A. MODEST AWARDS

A small claims court should be reserved exclusively for disputes with modest stakes. If the amount in dispute is substantial, a full trial with legal representation and discovery is more appropriate.

The CASE Act provides that the Copyright Claims Board may provide “actual damages and profits . . . which determination shall include in appropriate cases consideration of whether the infringing party has agreed to cease or mitigate the infringing activity”³⁴ The CASE Act caps the adjudication of copyright infringement damages claims at \$30,000 or less.³⁵ Additionally, the CASE Act provides claimants the option to elect statutory damages. For registered works, copyright owners can request up to \$15,000

34. SMALL CLAIMS REPORT, *supra* note 1, at 138 (§ 1403(d)(1)(A) of draft); H.R. 5757, at § 2 (§ 1403(e)(1)(A)); H.R. 6496, at § 2 (§ 1403(e)(1)(A)).

35. *See* SMALL CLAIMS REPORT, *supra* note 1, at 139 (§ 1403(d)(1)(D) of draft); H.R. 5757, at § 2 (§ 1403(e)(1)(D)); H.R. 6496, at § 2 (§ 1403(e)(1)(D)).

per infringed work in statutory damages (up to a \$30,000 overall cap), or \$7,500 per work for works that have not been timely registered (up to a \$15,000 cap).³⁶

Given the nature of most “small” claims, especially in relation to the most frequently occurring online infringements, a \$30,000 cap is rather high. To be sure, awards in the order of \$30,000 might be in the lower or mid-range of verdicts in copyright infringement cases in federal court. Yet, focusing on the lower range of awards at the federal level is misleading. As described in Part V above, veritable small claims never make it to federal court. Small claims do not justify the expense of going to federal court. Federal litigation is the tip of the iceberg of disputes. The primary goal of a small claims system is to breathe life into minor claims that are entirely absent from federal dockets today, such as the unauthorized copying and distribution of photos and other copyrighted content online.

Of course, the small claims board can set awards as low as it deems appropriate in each individual case. The problem, however, is that the range and its high upper-limit intimidates potential defendants. In light of the risk of a steep damage award, many defendants might opt out of the small claims trajectory. In light of its voluntary nature, a lower cap might be better suited to the goals of a small claims process. If the worst-case outcome in the small claims court is too daunting, there is little reason to expect that a defendant will embrace the prospect of an expedient and cost-effective system that reaches such (potentially crippling) outcome.

Lowering the maximum awards in the small claims court, would increase the chances that a defendant will engage with the plaintiff in an expedient manner in the small claims forum. Doing so would likely be an important step towards avoidance of the opt-out outcome depicted in Figure 3 above and induce the benevolent outcomes “B” and “C”, as illustrated in Figure 1.

B. REASONABLE STATUTORY AWARDS

The CASE Act provides claimants the option to elect statutory damages. Copyright owners can request up to \$15,000 per infringed work in statutory damages (up to a \$30,000 cap) for registered works, or \$7,500 per work for works that have not been timely registered (up to a \$15,000 cap).³⁷

In principle, statutory damages are a good fit for a small claims. Small harm disputes are especially vulnerable to the burdens imposed by legal expenses,

36. See SMALL CLAIMS REPORT, *supra* note 1, at 112, 138 (§ 1403(d)(1)(A)) of draft; H.R. 5757, at § 2 (§ 1403(e)(1)(A)); H.R. 6496, at § 2 (§ 1403(e)(1)(A)).

37. See SMALL CLAIMS REPORT, *supra* note 1, at 110–12, 138 (§ 1403(d) of draft); H.R. 5757, 114th Cong. § 2 (2016) (§ 1403(e)); H.R. 6496, 114th Cong. § 2 (2016) (§ 1403(e)).

including that of proving harm. As a result, the requirement to gather evidence of harm may turn claims with modest stakes into negative value suits.

If the patterns observed in federal district courts are any indication,³⁸ however, virtually every claimant at the small claims board might demand statutory damages in the maximum amount.³⁹ Although the CASE Act's proposed cap on statutory awards is well below the statutory range that applies in federal courts, the streamlined nature of the small claim procedure makes it more likely that plaintiffs will see the case through to obtain the statutory award. In this regard, a demand of \$15,000 in statutory damages might be quite intimidating to a defendant in a dispute over a minor infringement.

In light of the voluntary nature of the CASE Act, statutory damages are likely to generate one of two potential responses from defendants. On the one hand, if a defendant fears a statutory award verdict in excess of \$30,000 at the federal level, he or she will welcome the plaintiff's decision to initiate the small claims procedure. On the other hand, a defendant is likely to opt out of the small claims procedure when there is some indication that a plaintiff does not have the determination or financial means to pursue the claim in federal court. The decision to opt out is sensible to a plaintiff in those circumstances, especially if statutory damage awards on the small claims are potentially steep.

In order to avoid opt-outs, Congress could lower the cap on awards in the small claims court. A lower statutory damage cap at the small claims level will reduce the incentive of a defendant to opt out and move the case back to the federal level. Alternatively, the CASE Act could restrict the availability of statutory damages to instances where the plaintiff is able explain why it might be hard or too costly to prove actual harm. A third measure would be to penalize excessive claims for statutory awards; for instance, through fee-shifting.⁴⁰

38. Although explicitly designed to relieve the burden of litigation to plaintiff, the statutory damage regime has the inadvertent effect of generating opportunistic infringement claims. See Depoorter, *supra* note 2 (providing empirical evidence that enhanced statutory damages claims are commonplace in virtually all areas of copyright law).

39. See Chistian Helmers, Yassine Lefouili, Brian Love & Luke McDonagh, *Who Needs a Copyright Small Claims Court? Evidence from the U.K.'s IP Enterprise Court*, 8–9, BERKELEY TECH. L.J. COMMENTS (Jan. 10, 2018) <http://btlj.org/2018/01/who-needs-a-copyright-small-claims-court-evidence-from-the-u-k-s-i-p-enterprise-court/> [<https://perma.cc/WNV4-VXNT>] (“[T]he proposed use of statutory damages in the U.S. may invite gamesmanship by plaintiffs enforcing rights to works with little or no actual market value simply to leverage the possibility of five-figure statutory damages awards.”).

40. See Depoorter, *supra* note 2 (suggesting the availability of fee shifting in favor of a losing party that faced excessive damage awards by the plaintiff in the case).

C. SIMPLE CASES

The proposed breath of jurisdiction of the CASE Act small claims board is inopportunistically ambitious. The proposed jurisdiction includes nonliteral infringements and secondary liability claims. Such claims are often too complex to be resolved readily through a streamlined process that is limited to summary adjudications by an administrative tribunal on documentary evidence. It is questionable that an accelerated process with limited discovery and pleadings can resolve in satisfactory matter the various complex questions that plague many copyright disputes. Instead, it is more appropriate for a small claims court to exclusively adjudicate straightforward infringement claims that involve claims of exact or near-exact copying, distribution or public performances.⁴¹ Moreover, if respondents raise defenses or counterclaims that require discovery and more elaborate fact-finding, a dispute is likely unsuitable for resolution in a small claims forum.⁴²

A more limited jurisdiction would have a positive interaction effect with the issues outlined above. The relatively steep damage caps reflect the ambition to extend the reach of the small claims court from small to medium size claims. In and of itself, this fits the goal to relieve federal courts and provide a more cost-effective alternative to as many stake holders as possible. The intention of the drafters of the CASE Act to include medium stake claims explains the relatively high damage cap. In doing so, however, the CASE Act inadvertently pushes out many claims in the smaller range. The availability of (statutory) damage awards up to \$30,000, is likely to lead many minor infringers to opt out. By reducing the scope of jurisdiction to simple claims that fit a streamlined, administrative process, there is less need for as high a cap as presently provided.

D. ADJUSTED FILING FEES

The CASE Act proposes a modest filing fee that applies uniformly to all claims.⁴³ A \$100 fee per filing ensures a low barrier to entry to all claimants. At the same time, however, such simple fee structure is a missed opportunity to

41. See Mark A. Lemley & R. Antony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004) (proposing an administrative dispute resolution system that would handle simple, “clear” cases of file-sharing infringements); Mark A. Lemley & R. Antony Reese, *A Quick and Inexpensive System to Resolve Peer-to-Peer Copyright Disputes*, 23 CARDOZO ARTS & ENT. L. REV. 1 (2005) (same).

42. See Samuelson & Hashimoto, *supra* note 28, at 698.

43. The Office Report and the CASE Act of 2017 suggests filing fees at a minimum rate of \$100 per filing. See SMALL CLAIMS REPORT, *supra* note 1, at 140 (§ 1405(e) of draft); H.R. 5757, 114th Cong. § 2 (2d Sess. 2016) (same); H.R. 6496, 114th Cong. § 2 (2d Sess. 2016) (same).

address the negative outcomes depicted in Figure 3 above. A low fee further reduces the costs for opportunistic actors that might file low merit claims to verify if the defendant is responsive (default judgements mills) or to intimidate defendants into generous settlement concessions (copyright trolls). Abandoning the CASE Act's single, flat filing fee in favor of a differentiated filing fee, would safeguard against some of the opportunistic abuses of any small claims system.

Variable fee structures, as employed by small claims courts elsewhere, tie fee to the claimed level of damages.⁴⁴ Fees could, for instance, be set on a sliding scale: \$50 for a claim to up to \$500; \$100 for claims to up to \$2000; etc. Additionally, fees could be adjusted so that they higher for plaintiffs who have brought a certain number of claims within a set time period.⁴⁵ Such adjustments to the filing fee structure of a small claims court would make it costlier for plaintiffs to file baseless or inflated damage claims, especially as it relates to statutory damages.

E. DEFENDANT OPT-IN

One notable aspect of the CASE Act is that the decision to bring a dispute to the small claims track rests exclusively with the plaintiffs. Given the voluntary nature of the system, a plaintiff also retains the option to pursue a small claim in a federal court instead of at the small claims board. A plaintiff might have good reasons to prefer having the dispute move through the federal court system (e.g., procedural differences, etc.). But some plaintiffs might elect to pursue a small claim in a federal court for strategic reasons, such as to burden alleged infringers with litigation costs or to instill fear about the higher potential awards at the federal level. In other words, the CASE Act leaves unabated the strategy of opportunistic plaintiffs to leverage federal litigation costs to obtain generous settlement concessions from risk-averse or cash-strapped defendants.⁴⁶

44. The UK's IP Enterprise Court, for instance, employs a multi-part schedule of fees that requires claimants to pay a fee that is based on: the amount of damages claimed (£35 to £455), whether or not injunctive relief is sought (£480, if so), and whether or not a hearing is required to dispose of the case (£25 to £335, depending, again, on the damages sought). *See* ANGELA FOX, *THE INTELLECTUAL PROPERTY ENTERPRISE COURT: PRACTICE AND PROCEDURE* ch. 10, 10-016, 10-044 (2d ed. 2016); HM COURTS & TRIBUNALS SERV., *GUIDE TO THE INTELLECTUAL PROPERTY ENTERPRISE COURT SMALL CLAIMS TRACK 11* (2014), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426129/patents-court-small-claims.pdf [<https://perma.cc/5EA7-LXC4>].

45. *See* Samuelson & Hashimoto, *supra* note 28, at 700.

46. As mentioned previously, a defendant can of course call the bluff of the plaintiff. But doing so is not without risk to the alleged infringer. The higher litigation costs in court may simply be too daunting.

A creative countermeasure to such opportunistic filings at the federal level, would be to allow a defendant to petition that the federal court move the dispute to the small claims venue. A court might assess this request on the circumstances of the dispute, including the amount at stake, the simplicity of the legal questions, etc. Keeping with the voluntary nature of the small claims process, however, the plaintiff might likewise have the right to opt-out. Subsequently, the federal court should have some discretion to consider the reasonableness of the plaintiff's refusal to use the smalls claims process; for instance, when deciding on fee-shifting in its final verdict.

VII. CONCLUSION

A copyright small claims tribunal holds great promise. A small claims process can provide a smoother and more cost-effective forum to decide minor, straightforward infringements. Ideally, it enables sympathetic plaintiffs, such as individual photographers and independent fashion designers, to obtain relief against infringers, while at the same time enabling accused infringers to mount an efficient defense effort against dubious accusations.

In order to accomplish these goals, however, a small claims system must be designed carefully, with an eye to the likely actions of the various stakeholders, including potential loopholes that might be exploited in an opportunistic manner.

Applying incentive analysis, this Article examined Congress's most recent attempt at the small claims proposal and concludes that the CASE Act is likely to induce a large number of claims by plaintiffs, a large number of opt-outs by defendants, and a large number of default judgements. In conclusion, the CASE Act falls short of addressing the issue of opportunistic claiming and may in fact exacerbate the problem of copyright trolls altogether.

A small claims court should effectively administer straightforward infringement claims for modest amounts. Everything else belongs in federal courts. Congress would be well advised to go back to the drawing board and set-up a more narrowly tailored but more effective system of small claims adjudication. This Article provides several constructive suggestions towards that goal.

THE LIMITS OF COPYRIGHT OFFICE EXPERTISE

Aaron Perzanowski[†]

ABSTRACT

The mismatch between the expanding administrative and regulatory obligations of the United States Copyright Office and its limited institutional expertise is an emerging problem for the copyright system. The Office's chief responsibility—registration and recordation of copyright claims—has taken a back seat in recent years to a more ambitious set of substantive rulemakings and policy recommendations. As the triennial rulemaking under the Digital Millennium Copyright Act highlights, the Office is frequently called upon to answer technological questions far beyond its plausible claims of subject matter expertise. This Article traces the Office's history, identifies its substantial but discrete areas of expertise, and reveals the ways in which the Office has overstepped any reasonable definition of its expert knowledge. This Article concludes with a set of recommendations to better align the Office's agenda with its expertise by, first, reducing the current regulatory burdens on the Office, and second, building greater technological and economic competence within the Office, better equipping it to address contemporary questions of copyright policy.

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I. INTRODUCTION

Designed to serve the crucial yet prosaic function of registering copyright claims, the United States Copyright Office (“Office”) increasingly asserts wide-ranging authority to interpret copyright law, advise courts and federal agencies, promulgate administrative and substantive rules, and broadly shape copyright policy.¹ Recent years have witnessed a flurry of Office rulemaking and policy studies addressing issues from bulk registration² and the location of copyright

1. See Letter from Karyn Temple Claggett, Acting Register of Copyrights, to David Levi, President, Am. Law Institute (Jan. 16, 2018), <https://drive.google.com/file/d/1gAYHgkUqre7LdRpIu4cEdBDJ3thdfpu/view> [<https://perma.cc/W9KN-PU32>].

2. See Group Registration of Newspapers, 83 Fed. Reg. 4,144 (Jan. 30, 2018) (codified at 37 C.F.R. pts. 201, 202); Group Registration of Photographs, 83 Fed. Reg. 2,542 (Jan. 18, 2018) (codified at 37 C.F.R. pts. 201, 202).

notices³ to resale royalties⁴ and orphan works.⁵ More controversially, the Office is in the midst of its seventh triennial rulemaking under § 1201 of the Digital Millennium Copyright Act (DMCA)⁶ and has waded into, among other topics, copyright's application to software-enabled consumer devices like cars, kitchen appliances, and medical devices.⁷ Should security researchers be required to disclose the flaws they uncover to device makers and developers before going public? Should farmers be able to repair their tractors over the objections of manufacturers? These are the sorts of bizarrely incongruous questions that the Office confronts today.

At the same time, the Office faces nagging constitutional questions about the scope of its authority and an often contentious relationship with the Library of Congress, of which it remains a subordinate office. Motivated in part by these concerns, some have called for greater independence for the Office. These proposals are closely linked to ongoing efforts to concentrate additional authority within the Office. To take a recent example, the Copyright Alternative in Small-Claims Enforcement (CASE) Act would establish a small claims tribunal within the Office that has the power to adjudicate infringement disputes.⁸

As the federal body responsible for administering copyright law, the Office offers considerable expertise on questions at the core of its competence. However, as a result of both Congressional mandates and the Office's own ambitions, mission creep poses a problem. The Office regularly tackles complex economic and technological questions that extend well beyond both its historical mission and its most credible claims of subject matter expertise. Mission creep is a cause for concern for at least two reasons. First, through both the input it provides to Congress and its own direct regulatory action, the Office may advocate or adopt flawed policies. Second, the Office's growing

3. See Affixation and Position of Copyright Notice, 82 Fed. Reg. 42,735 (Sept. 12, 2017) (codified at 37 C.F.R. pts. 201, 202).

4. See U.S. COPYRIGHT OFFICE, *RESALE ROYALTIES: AN UPDATED ANALYSIS* (2013).

5. See U.S. COPYRIGHT OFFICE, *ORPHAN WORKS AND MASS DIGITIZATION* (2015).

6. See 17 U.S.C. § 1201(a)(1)(C) (providing for a rulemaking conducted by the Librarian of Congress, acting on the recommendation of the Register of Copyrights, to determine whether “users of a copyrighted work are, or are likely to be in the succeeding 3-year period, adversely affected by [§ 1201(a)(1)(A)] in their ability to make noninfringing uses under this title of a particular class of copyrighted works”).

7. See U.S. COPYRIGHT OFFICE, *SOFTWARE-ENABLED CONSUMER PRODUCTS* (2016) [hereinafter *CONSUMER PRODUCTS REPORT*].

8. See H.R. 5757, 114th Cong. (2d Sess. 2016), H.R. 3945, 115th Cong. (1st Sess. 2017). See generally Ben Depoorter, *If You Build It, They Will Come: The Promises and Pitfalls of a Copyright Small Claims Process*, 33 *BERKELEY TECH. L.J.* 711 (2018); Pamela Samuelson & Kathryn Hashimoto, *Scholarly Concerns About a Proposed Small Copyright Claims Tribunal*, 33 *BERKELEY TECH. L.J.* 689 (2018).

docket distracts it from its core task of developing and maintaining a registration system that serves the needs of copyright holders and the public.

In some ways, the strains facing the Office are an unavoidable byproduct of an environment that is profoundly shaped by technological change and the expanding scope and significance of copyright law. Software copyright, technological protection measures, and digital distribution have altered the copyright landscape in dramatic ways.⁹ Copyright law now regulates the use of software, both directly and indirectly, that is embedded in an astounding range of every day devices, even in the absence of traditional copyright infringement.¹⁰ The need for experts to inform copyright policy in light of these developments is evident. Copyright law today implicates matters of security, privacy, and industrial competition that were entirely foreign to copyright policy debates just a few decades ago. But delegations and assertions of authority are insufficient to establish genuine expertise. If the Office intends to lead the policy conversation moving forward, it needs to build competence in those areas in which it is currently lacking. That process should begin with a frank assessment of the questions the Office is well-positioned to answer and those it is not.

This Article, while far from comprehensive, contributes to that conversation. Part II situates the Office, both historically and constitutionally, and considers recent proposals to alter its structure. Part III considers the role of expertise in justifying agency authority generally before turning to the core competencies of the Office. Part IV identifies the limits of the Office's expertise and focuses on perhaps the clearest example of the Office operating beyond its expertise, the triennial DMCA rulemaking. Part V considers how the Office might build the expertise necessary for a twenty-first century copyright agency.

II. THE COPYRIGHT OFFICE

The Office owes its origin to the system of formalities—now largely vestigial—that defined U.S. copyright law for centuries. The Copyright Act of 1790 required works to be registered with federal district courts and copies to be deposited with the Secretary of State.¹¹ The 1870 overhaul of the Copyright

9. More broadly, copyright law is not alone in facing new regulatory challenges in the face of ubiquitous software. See Paul Ohm & Blake Reid, *Regulating Software When Everything Has Software*, 84 GEO. WASH. L. REV. 1672, 1673 (2016) (describing this trend as “the inevitable result of embedding software in everything”).

10. *But see* Chamberlain Group, Inc. v. Skylink Techs., Inc., 381 F.3d 1178 (Fed. Cir. 2004) (holding that a claim for circumvention requires a “critical nexus” to copyright infringement).

11. Copyright Act of 1790, 1 Stat. 124 §§ 3, 4.

Act, championed by Librarian of Congress's Ainsworth Spofford, centralized registration and deposit within the Library, simultaneously bolstering its holdings and increasing copyright registrations.¹² Spofford also created a Copyright Department within the Library to administer its new responsibilities.¹³ The first Register of Copyrights, Thorvald Solberg, was named in 1897 and served for 33 years.¹⁴

Since its inception, the bulk of the Office's duties have been administrative.¹⁵ It reviews registration applications; it receives deposit copies; it records facts related to registrations and assignments; it collects and disburses royalties under compulsory licenses.¹⁶ This work is crucial to a functioning copyright system. In particular, an accurate record of copyrighted works and their corresponding rights holders benefits authors, publishers, licensees, and the public more generally.¹⁷ Such a record allows the public to reliably determine whether a work is protected in the first place. It also facilitates transactions, making sure creators can be paid for their work.¹⁸ Moreover, it provides opportunities for researching the copyright system and its effects on creative production.

In addition to its primary administrative duties, the Office took an active role in copyright policy early in its history. Befitting an arm of the Library of Congress, the Office has consistently weighed in on legislative amendments to the Copyright Act. Beginning in 1901, Solberg authored a series of annual reports calling on Congress to revise the Act.¹⁹ In the lead up to what became the Copyright Act of 1909, the Office organized a series of stakeholder conferences to discuss reform proposals and produced a draft bill.²⁰ At the

12. See WILLIAM F. PATRY, 7 PATRY ON COPYRIGHT § 26:1 (2018) [hereinafter 7 PATRY ON COPYRIGHT].

13. See *id.*

14. See *id.*

15. See Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315, 341 (2013) ("In fact, from 1897 to 1998, the role was largely, though not entirely, administrative, meaning most regulations addressed administrative questions, i.e., rules pertaining to the registration process, the collection of fees, and the administration of certain aspects of compulsory licenses.").

16. U.S. Copyright Office, *A Brief Introduction and History*, <https://www.copyright.gov/circs/circ1a.html> [<https://perma.cc/DX58-5AMW>] (last visited Nov. 19, 2018).

17. See Maria A. Pallante, *The Next Generation Copyright Office: What It Means and Why It Matters*, 61 J. COPYRIGHT SOC'Y U.S.A. 213, 228–29 (2014).

18. See James Gibson, *Once and Future Copyright*, 81 NOTRE DAME L. REV. 167, 227–28 (2005).

19. See LIBRARIAN OF CONGRESS, REPORT OF THE LIBRARIAN OF CONGRESS FOR THE FISCAL YEAR ENDING JUNE 30, 1901 at 11 (1901); 7 PATRY ON COPYRIGHT, *supra* note 12, at § 26:2.

20. Zvi S. Rosen, *The (First) Register of Copyrights and the Drafting of the 1909 Copyright Act*, MOSTLY IP HISTORY (May 12, 2017), <http://www.zvirosen.com/2017/05/12/the-first->

request of Congress, the Office prepared dozens of influential studies of substantive legal questions during the decades-long process that culminated in the Copyright Act of 1976.²¹ The Office has also been involved in debates over international copyright treaties since the early twentieth century.²²

The current statute outlines the responsibilities of the Office with some specificity. In addition to performing “all administrative functions and duties”²³ required to implement the Act—and creating regulations necessary to do the same²⁴—the Office is to advise Congress, inform and assist federal agencies and the judiciary, engage with foreign governments and intergovernmental organizations, and conduct studies related to copyright law.²⁵ As discussed below, these duties have been supplemented by legislation empowering the Office to engage in specific rulemaking.

Given this mix of duties, the Office is a rather curious creature within our constitutional system. On the one hand, because it is housed within the Library of Congress, the Office would appear, as a structural matter, squarely within the legislative branch.²⁶ The frequent research and policy input that Congress requires from the Office bolster that view. On the other hand, the Office’s administrative functions—promulgating rules and administering aspects of a complex federal statute—are more consistent with an executive agency. In addition, the Librarian, who oversees the Register and the Office, is a presidential appointee.²⁷

register-of-copyrights-and-the-drafting-of-the-1909-copyright-act/ [https://perma.cc/R52E-GH6D].

21. See U.S. COPYRIGHT OFFICE, COPYRIGHT LAW REVISION STUDIES, <https://www.copyright.gov/history/studies.html> [https://perma.cc/Q3M8-UJB8]; see 7 PATRY ON COPYRIGHT, *supra* note 12, at § 26:3.

22. See 7 PATRY ON COPYRIGHT, *supra* note 12, at § 26:2.

23. 17 U.S.C. § 701(a) (2012).

24. See 17 U.S.C. § 702.

25. See 17 U.S.C. § 701(b).

26. See 5 U.S.C. § 5531(4) (defining the Library of Congress, along with the Government Accountability Office, the Government Publishing Office, the Office of Technology Assessment, the Office of the Architect of the Capitol, the United States Botanic Garden, the Congressional Budget Office, and the United States Capitol Police as an “agency in the legislative branch”).

27. See 2 U.S.C. § 136-1 (“The President shall appoint the Librarian of Congress, by and with the advice and consent of the Senate.”).

When it comes to deciding in which branch of the federal government the Office belongs, the courts are split.²⁸ Likewise, both members of Congress²⁹ and the executive branch³⁰ have expressed consternation over the question. President Clinton went so far as to issue a signing statement accompanying the DMCA, which vested the Office with new substantive rulemaking responsibilities, declaring that “for constitutional purposes” the Office is an “executive branch entity.”³¹ And while the Office proclaims itself a part of the legislative branch,³² it frequently acts as if it were an executive agency and

28. Some courts have concluded that the Office is part of the legislative branch. *See, e.g.*, *United States v. Brooks*, 945 F. Supp. 830, 834 (E.D. Pa. 1996) (“[T]he Copyright Office is part of the legislative branch.”); *Harry Fox Agency, Inc. v. Mills Music, Inc.*, 720 F.2d 733, 736 (2d Cir. 1983) (“[T]he Library of Congress . . . is a part of the legislative branch itself”); *Barger v. Mumford*, 265 F.2d 380, 382 (D.C. Cir. 1959) (“[T]he Library of Congress has long been treated as being in or under the jurisdiction of the legislative branch”). Other courts have deemed the Office executive in nature. *See, e.g.*, *Eltra Corp. v. Ringer*, 579 F.2d 294, 301 (4th Cir. 1978) (“[T]he Copyright Office is an executive office”); *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1342 (D.C. Cir. 2012) (discussing why the Library of Congress “is undoubtedly a ‘component of the Executive Branch’”). Acknowledging that “it is not clear whether the Library of Congress is part of the executive or legislative branch,” the Ninth Circuit explicitly avoided the question in *Fox Television Stations, Inc. v. Aereo, LLC*, 851 F.3d 1002, 1013 n.4 (9th Cir. 2017) (noting that if it were to decide what level of deference the Office is owed, the court “would be required to rule on constitutional questions that could have outsized consequences relative to this case—such as determining whether the Library of Congress is a legislative or executive agency”).

29. Senator Orin Hatch, for example, has maintained that “the Copyright Office is in the legislative branch of the Government, [and] whenever [it] is tasked with an executive-type function, [a] constitutional question arises.” *See* John Duffy, Peter Strauss & Michael Herz, *Copyright’s Constitutional Chameleon*, CONCURRING OPINIONS (May 17, 2013), <https://concurringopinions.com/archives/2013/05/copyrights-constitutional-chameleon.html#more-74811> [<https://perma.cc/NU7E-UUCQ>]; *see also* H.R. REP. NO. 105-796, at 77 (1998) (Conf. Rep.) (referring to the Office as “a hybrid entity that historically has performed both legislative and executive or administrative functions” and as “a legislative branch agency”).

30. A 1996 Office of Legal Counsel memo cautioned that entities such as the Library of Congress, “exercise authority that seems incompatible or at least difficult to reconcile with the Supreme Court’s anti-aggrandizement decisions.” *Constitutional Separation of Powers Between the President and Cong.*, 20 Op. O.L.C. 124, 172 (1996).

31. Presidential Statement on Signing the Digital Millennium Copyright Act, 2 PUB. PAPERS 1902 (Oct. 28, 1998) (“I am advised by the Department of Justice that certain provisions of H.R. 2281 and the accompanying Conference Report regarding the Register of Copyrights raise serious constitutional concerns. Contrary to assertions in the Conference Report, the Copyright Office is, for constitutional purposes, an executive branch entity.”).

32. *See* U.S. Copyright Office, *supra* note 16 (“As a service unit of the Library of Congress, the Copyright Office is part of the legislative branch of government.”). In remarks addressing constitutional challenges to copyright law, then-Register Marybeth Peters explained that “being in the legislative branch, my office is institutionally disinclined to take kindly to

accepts that characterization when it is expedient.³³

This ambiguity raises important constitutional questions. If the Office is an arm of Congress, its substantive rulemaking would appear to violate the separation of powers by subverting the processes for lawmaking set out in Article I.³⁴ Perhaps not surprisingly, the Office's authority has been challenged on constitutional grounds. In *Eltra Corporation v. Ringer*, the plaintiff brought an action seeking to compel the Register of Copyrights to register its typeface design after the Office refused.³⁵ Eltra maintained that the Office, as an arm of the legislature, lacked the power to refuse registration applications.³⁶ Under Eltra's view, the Office's power is "very strictly limited to the receipt, deposit and issuance of a registration certificate."³⁷ However, the Fourth Circuit rejected that argument, focusing instead on the Office's longstanding practices of issuing rules and regulations.³⁸

Notably, *Eltra* was decided before two important Supreme Court separation of powers cases. These cases embrace a formal rather than functional approach to situating entities like the Office within the legislative or executive branches, and potentially undermine *Eltra's* analysis.³⁹ Thus,

challenges to the constitutionality of copyright legislation." Marybeth Peters, *Constitutional Challenges to Copyright Law*, 30 COLUM. J.L. & ARTS 509, 509 (2007). The Librarian of Congress has offered similar characterizations. See Duffy et al., *supra* note 29 (noting that the "Librarian has repeatedly testified to Congress that the Library is 'arm of the United States Congress,' a 'branch of the Legislative branch,' and 'a unique part of the Legislative Branch of the government'").

33. See, e.g., *Eltra Corp. v. Ringer*, 579 F.2d 294 (4th Cir. 1978). The Copyright Royalty Board has faced its own constitutional challenges. See *Live365, Inc. v. Copyright Royalty Bd.*, 698 F. Supp. 2d 25 (2010); *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1334 (D.C. Cir. 2012) ("[W]e agree with Intercollegiate that the position of the CRJs, as currently constituted, violates the Appointments Clause . . ."). The Department of Justice, on behalf of the Library of Congress, has argued in the context of a CRB dispute that the Library is an executive department for Appointments Clause purposes. See Brief for the Federal Respondents in Opposition at 16, *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2010) (No. 12-928), 2013 WL 1792498, at *15.

34. *Metro. Wash. Airports Auth. v. Citizens for Abatement of Aircraft Noise*, 501 U.S. 252, 276 (1991) ("If the power is executive, the Constitution does not permit an agent of Congress to exercise it. If the power is legislative, Congress must exercise it in conformity with the bicameralism and presentment requirements of Art. I, § 7."). For a thorough discussion of the constitutional issues surrounding the Office's rulemaking authority, see Andy Gass, *Considering Copyright Rulemaking: The Constitutional Question*, 27 BERKELEY TECH. L.J. 1047 (2012).

35. See *Eltra Corp.*, 579 F.2d at 296.

36. See *id.* at 301.

37. *Id.* at 298.

38. See *id.* at 298–299.

39. See *Bowsher v. Synar*, 478 U.S. 714 (1986); *Metro. Wash. Airports*, 501 U.S. at 269 (1991); see also Gass, *supra* note 34, at 1053–56.

questions about the extent of the Office's constitutional authority linger. More recently, when the Office recommended and the Librarian approved an exemption under the DMCA that permitted the unlocking of mobile phones, Tracfone filed a challenge to the rulemaking, arguing that it represented either an intra-branch delegation of legislative authority or the exercise of executive power by the legislature.⁴⁰ The constitutional question was left unsolved, however, because Tracfone dropped the suit after successfully suing phone unlockers despite the exemption.⁴¹

Concerns over the Office's constitutional authority have contributed to a number of proposals for its reorganization and the redistribution of its duties. A bill introduced in 2015 would have transformed the Office into an independent quasi-executive agency.⁴² And in 2017, the House passed a bill that stripped the Librarian of Congress of her power to name the next Register of Copyrights.⁴³ Instead, the Register would be chosen by the President from a list of candidates generated by a congressional panel.⁴⁴ Commentators have suggested some duties currently within the purview of the Office could be better carried out by the Departments of Justice or Commerce, the latter of which houses the U.S. Patent and Trademark Office.⁴⁵ Others have raised the possibility of relocating the Office within Commerce or creating a new and independent IP agency.⁴⁶ But the recent attention to the Office is motivated by more than an abstract concern over the separation of powers. Rather, changes in the leadership of both the Library and the Office are at least partly responsible.

In 2015, longtime Librarian of Congress James Billington, first appointed

40. Complaint at 2, *Tracfone Wireless, Inc. v. Billington*, No. 06-22942 (S.D. Fla. Dec. 5, 2006).

41. See David Kravets, *Ruling Allows Cell Phone Unlocking, but Telco Sues Anyway*, WIRED (Aug. 8, 2007), <https://www.wired.com/2007/08/tracfone> [<https://perma.cc/2CN5-79KE>].

42. See Copyright Office for the Digital Economy Act, H.R. 4241, 114th Cong. (2015).

43. See Register of Copyrights Selection and Accountability Act, H.R. 1695, 115th Cong. (2017).

44. See *id.*

45. See Jarrett Dieterle & Sasha Moss, *Moving Copyright Office Authorities to Executive Branch Could Improve Accountability*, HILL (Mar. 28, 2017), <http://thehill.com/blogs/pundits-blog/lawmaker-news/326246-moving-copyright-office-authorities-to-executive-branch> [<https://perma.cc/XQ56-Z7RH>] (“Internet-related procedural functions like notice-and-takedown and circumvention exemptions could be placed in the Commerce Department. Statutory licensing and rate-setting issues, such as through the Copyright Royalty Board, could be moved into the Department of Justice, which has substantial antitrust expertise.”).

46. See Sandra M. Aistars, *The Next Great Copyright Act, or A New Great Copyright Agency?*, 38 COLUM. J.L. & ARTS 339, 346 (2015). The Omnibus Patent Act of 1996 would have created a government corporation uniting the functions of the Copyright Office and the USPTO. See Omnibus Patent Act of 1996, S. 1961, 104th Cong. (1996).

by President Reagan, retired amid considerable controversy.⁴⁷ A series of inspector general reports revealed a pattern of mismanagement within the Library.⁴⁸ In particular, the Library's embrace of digital technology was woefully anemic. This inadequate technological infrastructure of the Library had a direct impact on the Office,⁴⁹ fueling calls by the Register for greater independence.⁵⁰

The Office, however, has dealt with its own missteps in recent years. After working for the better part of a decade to digitize pre-1978 registrations, the Office succeeded, at long last, in scanning its card catalog. But that catalog is not searchable, nor does it include registration records.⁵¹ And while new registration applications can be filed electronically, the Office continued to insist on paper records for registering DMCA agents until 2016.⁵² Furthermore, a recent Inspector General report found that the Office's ultimately abandoned Electronic Licensing System, originally budgeted at just over \$1 million, consumed almost \$12 million over six years—overruns that the Office failed to disclose to Congress.⁵³

47. See Michael D. Shear, *Library of Congress Chief Retires Under Fire*, N.Y. TIMES (June 10, 2015), <https://www.nytimes.com/2015/06/11/us/library-of-congress-chief-james-hadley-billington-leaving-after-nearly-3-decades.html> [<https://perma.cc/MA9Y-G976>] (noting that Billington “presided over a series of management and technology failures at the library that were documented in more than a dozen reports by government watchdog agencies”); Peggy McGlone, *Librarian's Trips Abroad, Posh Hotels All Paid for by James Madison Council*, WASH. POST (Aug. 12, 2015), https://www.washingtonpost.com/entertainment/museums/james-madison-council-a-whos-who-of-philanthropists-and-titans/2015/08/12/a12f55c2-3f78-11e5-9561-4b3dc93e3b9a_story.html?utm_term=.8f20c9b54d1e [<https://perma.cc/Q7C3-5FX5>].

48. See, e.g., LIBRARY OF CONGRESS OFFICE OF THE INSPECTOR GENERAL, SEMIANNUAL REPORT TO THE CONGRESS 7 (Sept. 2015), <https://www.loc.gov/portals/static/about/office-of-the-inspector-general/annual-reports/documents/september-2015-semi-annual-report.pdf> [<https://perma.cc/7YS3-5FAZ>] (noting “significant strategic and operational issues in the Library's information technology (IT) infrastructure and management” dating back to 2009).

49. See Peggy McGlone, *Copyright Office's Online Registration Hasn't Worked for Almost a Week*, WASH. POST (Sept. 3, 2015), https://www.washingtonpost.com/lifestyle/style/copyright-offices-online-registration-hasnt-worked-for-almost-a-week/2015/09/03/b12781e2-5261-11e5-9812-92d5948a40f8_story.html?utm_term=.f77d1ddd4bb3 [<https://perma.cc/28PH-W3T4>].

50. See U.S. Rep. Zoe Lofgren (D-Calif.), Statement in Opposition to H.R. 1695, https://lofgren.house.gov/sites/lofgren.house.gov/files/migrated/UploadedFiles/Dissenting_Views_Markup_03-29-17_Copyright_Bill_Final.pdf [<https://perma.cc/5TMA-P6LA>].

51. See *id.*

52. See Designation of Agent to Receive Notification of Claimed Infringement, 81 Fed. Reg. 75,695 (Nov. 1, 2016) (codified at 37 C.F.R. pt. 201).

53. LIBRARY OF CONGRESS OFFICE OF THE INSPECTOR GENERAL, FY 16 REVIEW OF SYSTEMS DEVELOPMENT LIFECYCLE 8 (Feb. 2017).

In 2016, both the Library and the Office underwent changes in leadership. That year, President Obama nominated Carla Hayden, former president of the American Library Association, as James Billington's successor as Librarian of Congress.⁵⁴ As Librarian, Hayden has taken a more active role than her predecessor, particularly with respect to issues surrounding technology and information accessibility.⁵⁵ And in October of 2017, Hayden reassigned then-Register Pallante, who resigned in protest.⁵⁶ In the wake of that news, speculation ran rampant that Google, long seen as hostile to the entertainment industry, was behind Hayden's decision.⁵⁷

In some ways, blaming industry influence for the seemingly abrupt change of leadership within the Office is an understandable impulse. Industry connections have shaped Office staffing in the past.⁵⁸ Pallante formerly served as the Executive Director of the National Writers Union and Assistant Director of the Authors Guild,⁵⁹ and she was named President of the Association of American Publishers just weeks after leaving the Office.⁶⁰ Similarly, the Office's current Acting Register formerly served as Vice President for Litigation and Legal Affairs at the Recording Industry

54. See Nicholas Fandos, *Carla Hayden Nominated to Head Library of Congress*, N.Y. TIMES (Feb. 24, 2016), <https://www.nytimes.com/2016/02/25/us/carla-hayden-nominated-to-head-library-of-congress.html> [https://perma.cc/G24W-WKG7].

55. See Carla Hayden, Librarian of Cong., Hearing on Fiscal Year 2017 Budgets for Legislative Branch Entities, Remarks Before the House Administration Committee (Feb. 6, 2017) (“[H]igh on my priority list is modernization of the Copyright Office. It must be accessible to its users; registration must be user-friendly; and a searchable database of copyright holders should be available. These improvements will make an enormous difference to this important segment of the American economy.”).

56. See Resignation Letter from Maria Pallante, then-Register of Copyrights, to Carla Hayden, Librarian of Cong. (Oct. 24, 2016).

57. See Peggy McGlone, *Songwriters Say This Federal Bureaucrat Championed Their Rights. Now She's Lost Her Job*, WASH. POST (Nov. 7, 2016), https://www.washingtonpost.com/entertainment/music/with-change-at-the-top-of-copyright-office-a-battle-brews-over-free-content/2016/11/07/a8c0b140-a4ea-11e6-8042-f4d111c862d1_story.html?utm_term=.3091cfcb879f [https://perma.cc/7MQD-YGVQ]; *A Copyright Coup in Washington*, WALL ST. J. (Nov. 2, 2016), <https://www.wsj.com/articles/a-copyright-coup-in-washington-1478127088> [https://perma.cc/QZ47-X5ZZ].

58. MEREDITH ROSE, RYAN CLOUGH & RAZA PANJWANI, CAPTURED: SYSTEMIC BIAS AT THE U.S. COPYRIGHT OFFICE 4 (2016) (“The Office has a well-trodden revolving door between its leadership, its other legal and policy staff and major rightsholders and their representatives.”).

59. See *id.* at 5.

60. See Press Release, Ass'n of Am. Publishers, The Association of American Publishers (AAP) Names Maria A. Pallante as President and CEO (Jan. 12, 2017), <http://newsroom.publishers.org/the-association-of-american-publishers-aap-names-maria-a-pallante-as-president-and-ceo/> [https://perma.cc/D65F-HLN6].

Association of America.⁶¹ So when a personnel change that copyright holders found objectionable occurred, it was perhaps natural for them to assume a larger, more powerful industry influence was to blame.

But there is a simpler explanation. A Register who neglects and mismanages the Office's core functions, while publicly advocating for independence from her immediate supervisor, may find herself in a precarious position under reinvigorated leadership.⁶²

Given its recent upheaval, the lingering questions about the scope of its authority, and the related reorganization proposals, now is an opportune moment to take stock of the Office's expertise. As the next Part will demonstrate, the Office has earned the right to assert its expertise with respect to a number of questions at the heart of its regular administrative duties.

III. THE OFFICE'S EXPERTISE

One of the core justifications for granting agencies regulatory authority is expertise.⁶³ An expert agency brings greater substantive knowledge, experience, and skill to bear on complex problems, giving the public confidence in its determinations. Both rulemaking authority and judicial deference to agency interpretations depend in large part on the assumption of agency expertise.

Despite its centrality in administrative law, expertise remains a poorly defined concept.⁶⁴ Intuitively, we understand expertise as a function of

61. ROSE, CLOUGH & PANJWANI, *supra* note 58, at 5.

62. See 7 PATRY ON COPYRIGHT, *supra* note 12, at § 26:4 (2018) (the problems identified in the 2017 Inspector General's report as well as "Pallante's continued lobbying for the Copyright Office to become an independent agency, may have led to her replacement by Librarian of Congress Carla Hayden"); Annemarie Bridy, *Murder (or not) at the Library of Congress?*, WASH. POST (Oct. 31, 2016), https://www.washingtonpost.com/news/volokh-conspiracy/wp/2016/10/31/murder-or-not-at-the-library-of-congress/?utm_term=.b514e5bab48b [<https://perma.cc/73HF-676S>] (providing as "a simple and plausible explanation" for Pallante's removal her "fairly brazen" effort "to withdraw [the Office] from the [Library], of which it has been a part since 1897").

63. See *Skidmore v. Swift & Co.*, 323 U.S. 134, 139–40 (1944) (noting the administrator's "specialized experience and broader investigations and information" and concluding that its rulings and interpretations "constitute a body of experience and informed judgment to which courts and litigants may properly resort for guidance"); *SEC v. Chenery Corp.*, 332 U.S. 194, 199, 201–07 (1947) (noting the Commission's "accumulated experience" enabled it to make "an informed, expert judgment on the problem"); *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 865 (1984) (suggesting that Congress deferred to the administrator because of its "great expertise" and noting that "judges are not experts in the field"); *United States v. Mead Corp.*, 533 U.S. 218, 228 (2001) (identifying an agency's "relative expertness" as a factor in determining the appropriate degree of deference).

64. See Sidney A. Shapiro, *The Failure to Understand Expertise in Administrative Law: The Problem and the Consequences*, 50 WAKE FOREST L. REV. 1097, 1097 (2015) ("For a concept that

repeated experience.⁶⁵ But often the assumption seems to be that expertise—whatever it is—emerges from the delegation of authority to an agency.⁶⁶ On occasion, though, courts have recognized that an agency’s general expertise within a field is no guarantee that expertise supports every exercise of its authority.⁶⁷

In one of the few serious attempts to move beyond our intuitive notion of what it means to be an expert, Sidney Shapiro, a leading commentator on administrative procedure and regulatory policy, draws on the work of sociologists Harry Collins and Robert Evans to outline a number of distinct types of expertise.⁶⁸ Two varieties of specialized expertise, contributory and interactional, are particularly useful in thinking about the scope and strength of an agency’s claimed expertise. Contributory expertise “is the knowledge necessary to undertake an activity with the competence expected of those who are trained in a discipline.”⁶⁹ If you possess contributory expertise, you can meaningfully engage in a particular activity or practice. A chef, for example, has contributory expertise when it comes to creating and executing a recipe. In contrast, “interactional expertise is the mastery of the language of a specialized domain” that falls short of practical competence.⁷⁰ So a food critic may have interactional expertise, even if she lacks the ability to prepare a gourmet meal. These specialized forms of expertise can be acquired through both formal education and experience.⁷¹ Administrative officials in particular, Shapiro argues, can develop expertise “in the assessment of conflicting evidence and arguments, disciplinary perspectives, political demands, and legal commands.”⁷²

Consistent with this framework, the Office’s claim to expertise is strongest

is so central to administrative law, there has been a surprisingly impoverished understanding of expertise and its role in the rulemaking process.”).

65. See Richard B. Stewart, *The Reformation of American Administrative Law*, 88 HARV. L. REV. 1667, 1678 (1975) (describing expertise as “the knowledge that comes from specialized experience”).

66. See, e.g., Douglas H. Ginsburg, *Appellate Courts and Independent Experts*, 60 CASE W. RES. L. REV. 303, 318 (2010) (“The agencies, of course, develop expertise in the field or the industry they are charged with regulating.”).

67. See, e.g., *De La Mota v. U.S. Dep’t of Educ.*, 412 F.3d 71, 80 (2d Cir. 2005) (holding that the interpretation did not reflect agency expertise); *Wilderness Soc’y v. U.S. Fish & Wildlife Serv.*, 353 F.3d 1051, 1069 (9th Cir. 2003) (agency decision did not “reflect the product of specialized agency expertise”); *Hall v. EPA*, 273 F.3d 1146, 1156 (9th Cir. 2001) (holding that EPA’s decision did not reflect expertise).

68. See Shapiro, *supra* note 64, at 1102–05.

69. *Id.* at 1103.

70. *Id.* at 1104.

71. *Id.* at 1104–05.

72. *Id.* at 1105.

when it comes to questions that leverage its unique institutional knowledge and the insights generated by routinely confronting issues in the course of its administrative duties.⁷³ For most of the Office's history, those duties have centered on its "ministerial functions, such as registration and deposit."⁷⁴ The Office's expertise, however, is not limited to administrative mechanics. Rather, registration entails meaningful substantive evaluation of a work. In addition, the Office is uniquely situated to administer and interpret certain aspects of the statutory licenses under its care, some of which it has managed for over a century.⁷⁵

A. SUBSTANTIVE REQUIREMENTS FOR REGISTRATION

The bulk of the Office's resources and, by extension, expertise are directed to copyright registration.⁷⁶ Nearly half of Office staff work in the registration division.⁷⁷ And in fiscal year 2016 alone, the Office received 533,606 registrations claims.⁷⁸ Given that volume and the relatively low standards for

73. The Office has at times overestimated its role, envisioning itself as the primary, if not sole, interpreter of the text of the Copyright Act. For example, in suggesting the American Law Institute should "reconsider" the existence of its Restatement of Copyright Law, Acting Register Karyn Temple expressed the view that the blackletter law of copyright requires no further explanation and that, in any event, "[t]here can be no more accurate statement of the law than the words that Congress has enacted in the Copyright Act and those that the Copyright Office has adopted in its regulations." See Claggett, *supra* note 1. Aside from ignoring the crucial role of courts in interpreting the Act, this view wildly overstates the degree of clarity and consensus on core questions of copyrightability, infringement, exceptions, and limitations. It also reflects an inflated understanding of the Office's place in the copyright system.

74. Joseph P. Liu, *Regulatory Copyright*, 83 N.C. L. REV. 87, 148 (2004).

75. Even within the core of the Office's expertise, however, courts typically afford its determinations deference only to the extent they find them persuasive. See generally WILLIAM F. PATRY, 5 PATRY ON COPYRIGHT § 17:102 (2018) [hereinafter 5 PATRY ON COPYRIGHT]; MELVILLE B. NIMMER & DAVID NIMMER, 2 NIMMER ON COPYRIGHT § 7.26 (2018) [hereinafter 2 NIMMER ON COPYRIGHT].

76. As Joseph Liu points out in his contribution to this volume, 28% of the Office's regulations relate directly to registration. See Joseph P. Liu, *Copyright Rulemaking: Past as Prologue*, 33 BERKELEY TECH. L.J. 628, 634 (2018).

77. See Karyn Temple Claggett, *Meet the U.S. Copyright Office: Creativity at Work*, LIBRARY OF CONGRESS (March 9, 2017), <https://blogs.loc.gov/copyright/2017/03/meet-the-u-s-copyright-office-creativity-at-work/> [<https://perma.cc/3AU5-LZJJ>] (noting that the Office has a staff of roughly 400 employees); LIBRARY OF CONGRESS, FISCAL 2018 BUDGET JUSTIFICATION 115 (2018), <https://www.loc.gov/portals/static/about/reports-and-budgets/documents/budgets/fy2018.pdf> [<https://perma.cc/Q5MN-6EH6>] (noting that "the registration staff lost approximately 25% (50 FTE) of its examining staff" since 2010); Email from Erik Bertin, Deputy Dir. of Registration Policy and Practice, to Aaron Perzanowski (May 10, 2018, 10:05AM) (stating that more than 150 employees work within the registration division) (on file with the author).

78. U.S. COPYRIGHT OFFICE, FISCAL 2016 ANNUAL REPORT 9 (2016), <https://www.copyright.gov/reports/annual/2016/ar2016.pdf> [<https://perma.cc/XTL3->

copyrightability under U.S. law, the Office does not conduct a probing analysis of each work.⁷⁹ Nonetheless, it does engage in a meaningful, if understandably limited, evaluation that results in a non-trivial refusal rate.⁸⁰ Many of those refusals result from the failure to satisfy one or more of the substantive requirements for copyrightability.⁸¹ So one should expect the Office to have considerable contributory expertise—gained through both formal training and longstanding experience—in applying the legislative and judicial standards for originality, subject matter, and the useful article doctrine, in addition to the formal requirements of registration.⁸²

Under its interpretation of the statutory language and relevant precedent, the Office has long maintained that “words and short phrases . . . familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring” are not subject to copyright.⁸³ The Office has relied on that reading to refuse registrations for a variety of works.⁸⁴ The *en banc* Third Circuit opinion in *Southco v. Kanebridge*, authored by then-Judge Alito, characterized the Office’s approach as “reflect[ing] a ‘body of experience and informed judgment to which courts and litigants may properly resort for guidance.’”⁸⁵

CZHY] [hereinafter FISCAL 2016 REPORT]. That same year, the Office recorded 10,865 documents reflecting assignments, licenses, and other transactions relating to 197,000 works. And it forwarded some 635,000 deposited copies of works to the Library of Congress. *Id.*

79. Robert Kasunic, *Copyright from Inside the Box: A View from the U.S. Copyright Office Keynote Address*, 39 COLUM. J.L. & ARTS 311, 318 (2016) (“The registration process simply examines the claim and the deposit and seeks to ensure that the legal and formal requirements of a claim in copyright are met in accordance with our longstanding institutional expertise in these questions.”).

80. *See id.* at 315 (noting a roughly 5% refusal rate). In recent years, the refusal rate was lower. *See* FISCAL 2016 REPORT, *supra* note 78, at 9 (noting that the Office processed 469,455 applications, of which 12,656 were rejected, a rate of roughly 2.7%).

81. *See generally* REVIEW BOARD LETTERS ONLINE, U.S. COPYRIGHT OFF., <https://www.copyright.gov/rulings-filings/review-board/index.html> [https://perma.cc/A45X-ZV7P] (last visited Nov. 20, 2018).

82. Of course, acknowledging the Office’s expertise does not mean that it always reaches the correct result with respect to particular interpretations or specific works.

83. 37 C.F.R. § 202.1(a) (2018).

84. *See, e.g.*, Letter from Regan A. Smith, Copyright Office Review Bd., to Bryce J. Maynard (Jan. 31, 2018), <https://www.copyright.gov/rulings-filings/review-board/docs/liv-logo.pdf> [https://perma.cc/DL6G-PU5T] (affirming the Board’s refusal to register the copyright); Letter from Catherine Rowland, Copyright Office Review Bd., to B. Anna McCoy (Sept. 20, 2017), <https://www.copyright.gov/rulings-filings/review-board/docs/rub-dirt.pdf> [https://perma.cc/W32X-983S] (affirming the Board’s refusal to register the copyright); Letter from Regan A. Smith, Copyright Office Review Bd., to Michael L. Gentlesk, II (Aug. 23, 2016), <https://www.copyright.gov/rulings-filings/review-board/docs/fuck-snow-globe.pdf> [https://perma.cc/7WCX-NMEC] (affirming the Board’s refusal to register the copyright).

85. *Southco, Inc. v. Kanebridge Corp.*, 390 F.3d 276, 286 n.5 (3d Cir. 2004)). The court

Similarly, Office regulations tracking section 102(b) of the Copyright Act exclude “ideas, plans, methods, systems, or devices, as distinguished from the particular manner in which they are expressed or described in a writing.”⁸⁶ This prohibition, too, has formed the basis for refusals to register.⁸⁷ In 2012, the Office issued additional guidance in the form of a policy statement clarifying that compilations comprised of otherwise ineligible systems or methods were not registrable.⁸⁸ For example, the Office explained that “a compilation of yoga poses, may be precluded from registration as a functional system or process in cases where the particular movements and the order in which they are to be performed are said to result in improvements in one’s health or physical or mental condition.”⁸⁹ The Central District of California, confronting just such a claim, deferred to the Office’s policy, citing the “specialized experience, broader investigations, and information available to [it].”⁹⁰

The Office also has “considerable expertise” evaluating the separability of pictorial, graphic, and sculptural elements of useful articles.⁹¹ Such “determinations are routinely made by the Register and are unquestionably related to the substantive area of the agency’s business.”⁹² Separability is the sort of question in which the “Office continually engages,”⁹³ prompting at least one court to conclude that “the Copyright Office’s expertise in identifying and

explained that the “Office’s longstanding practice of denying registration to short phrases merits deference,” although it declined to clarify the precise degree of deference warranted. *Id.* at 286; *see also* N.Y. Mercantile Exch., Inc. v. IntercontinentalExchange, Inc., 389 F. Supp. 2d 527, 543 (S.D.N.Y. 2005), *aff’d* 497 F.3d 109 (2d Cir. 2007) (“The Copyright Office’s longstanding practice is to deny Copyright protection to words and short phrases, and courts have found that the policies and interpretation of the Office are entitled to deference.”); *Garcia v. Google, Inc.*, 786 F.3d 733, 741 (9th Cir. 2015) (crediting the Office’s “expert opinion” barring “a copyright claim by an individual actor or actress in his or her performance contained within a motion picture”).

86. 37 C.F.R. § 202.1(b).

87. *See, e.g.*, Letter from Chris Weston, Copyright Office Review Bd., to Ali Fayad (May 9, 2017), <https://www.copyright.gov/rulings-filings/review-board/docs/converse-flow-depths.pdf> [<https://perma.cc/52J3-T22K>] (affirming the Board’s refusal to register the copyright).

88. *See* Registration of Claims to Copyright, 77 Fed. Reg. 37605, (Jun. 22, 2012) (codified at 37 C.F.R. pt. 201).

89. *Id.* at 37607.

90. *Bikram’s Yoga Coll. of India, L.P. v. Evolution Yoga, LLC*, 105 U.S.P.Q.2d (BNA) 1162, 1165 n.5 (C.D. Cal 2012), *aff’d* 803 F.3d 1032 (9th Cir. 2015).

91. *Esquire, Inc. v. Ringer*, 591 F.2d 796, 801 (D.C. Cir. 1978); *see also* *Eltra Corp. v. Ringer*, 579 F.2d 294, 297–98 (4th Cir.1978); *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468, 480 (6th Cir. 2015), *aff’d sub nom.* *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002 (2017) (“The Copyright Office unquestionably has experience identifying useful articles and pictorial, graphic, and sculptural works.”).

92. *Norris Indust., Inc. v. Int’l. Tel. & Tel. Corp.*, 696 F.2d 918, 922 (11th Cir. 1983).

93. *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 994 (2d Cir. 1980).

thinking about the difference between art and function surpasses ours.”⁹⁴ The Office’s approach to separability has been criticized for its inconsistency.⁹⁵ But in fairness to the Office, the courts have not fared much better.⁹⁶

B. FORMAL REQUIREMENTS FOR REGISTRATION

In addition to the substantive standards for copyrightability, a registration application must meet certain formal requirements.⁹⁷ Beyond the statutory text, Congress granted the Office specific rulemaking authority to determine a range of issues related to registration: the administrative classes in which works should be placed; the specific deposit requirements for each class; and whether “a single registration for a group of related works” is sufficient.⁹⁸ Since registration or refusal are statutory prerequisites for an infringement suit,⁹⁹ courts consider whether these formal obligations have been satisfied with

94. *Varsity Brands*, 799 F.3d at 480; see also *Mazer v. Stein*, 347 U.S. 201, 214 (1954) (concluding that “as a standard we can hardly do better than the words of the present [Copyright Office] Regulation”).

95. The Chief of the Examining Division at one time explained that “the office has taken almost every conceivable position” on the question. WILLIAM F. PATRY, 2 PATRY ON COPYRIGHT § 3:139.10 (2018) [hereinafter 2 PATRY ON COPYRIGHT].

96. See *Star Athletica*, 137 S. Ct. 1002 (holding that “an artistic feature of the design of a useful article is eligible for copyright protection if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article”); *Kisselstein-Cord*, 632 F.2d 989 (determining that ornamental features of belt buckles were conceptually separable “sculptural elements” partly on the basis of the reactions of customers, critics, and experts); *Brandir Int’l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142 (2d Cir. 1987) (determining that sculptural elements of a bike rack were not separable because they did not reflect “the designer’s artistic judgment exercised independently of functional influences”); *Carol Barnhart, Inc. v. Econ. Cover Corp.*, 773 F.2d 411 (2d Cir. 1985) (determining that expressive features of mannequins were not conceptually separable on the basis of an objective analysis of the work and its function); see also *Masquerade Novelty, Inc. v. Unique Indus., Inc.*, 912 F.2d 663, 670 (3d Cir. 1990) (“Courts have twisted themselves into knots trying to create a test to effectively ascertain whether the artistic aspects of a useful article can be identified separately from and exist independently of the article’s utilitarian function.”).

97. See 17 U.S.C. § 409 (2012).

98. 17 U.S.C. § 408(c)(1) (authorizing specification by regulation the administrative classes for purposes of deposit and registration); 37 C.F.R. § 202.3(b)(5)–(9) (2018) (setting out requirements for group registration); see 17 U.S.C. § 408(c)(2) (requiring the Office to “establish regulations specifically permitting a single registration for a group of works by the same individual author, all first published as contributions to periodicals, including newspapers . . .”).

99. The Supreme Court will soon decide whether registration occurs once the Office renders a decision or merely when a registration application has been submitted to the Office. See *Fourth Estate Pub. Ben. Corp. v. Wall-Street.com, LLC*, 138 S. Ct. 2707 (2018) (granting certiorari).

some regularity.¹⁰⁰ And those courts generally recognize the Office's expertise in evaluating the formal adequacy of an application.

In *Alaska Stock v. Houghton Mifflin*, the Ninth Circuit considered whether registration of a large number of photographs as a single collective work constituted registration of the underlying individual images.¹⁰¹ The collective registration omitted the names of many of the authors as well as the titles of the individual photos, which defendant Houghton Mifflin argued conflicted with the plain meaning of the statute.¹⁰² The Office's longstanding interpretation of the statute permits applications for collective works, and the component works contained therein, "even if the application does not specify the authors and titles of the component works."¹⁰³ But since the Office's position was expressed through "internal agency manuals and opinion letters," the court was bound by them "only to the extent that those interpretations have the power to persuade."¹⁰⁴ Nonetheless, the Office's thirty-year history of interpreting and applying the provisions of the 1976 Act, and its intimate exposure to the practical considerations collective works present convinced the court to accept the Office's approach.¹⁰⁵ Other courts have been divided on the extent to which they are ultimately persuaded by the Office's approach to collective registration, but none have questioned the Office's unique insights into the problem, and implicit recognition of the Office's contributory expertise in making the legal determinations inherent in registration decisions.¹⁰⁶

100. The Supreme Court has clarified that despite the statute's insistence that "no civil action for infringement . . . shall be instituted" absent registration or refusal, the Supreme Court has held that § 411 does not restrict a federal court's subject-matter jurisdiction involving claims of unregistered works. *Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154, 157, 170–71 (2010).

101. *Alaska Stock, LLC v. Houghton Mifflin Harcourt Publ'g Co.*, 747 F.3d 673, 675 (9th Cir. 2014).

102. *Id.* at 679–80.

103. *Id.* at 677.

104. *Id.* at 685; *see Muench Photography Inc. v. Houghton Mifflin Harcourt Publ'g Co.*, 712 F. Supp. 2d 84, 91–95 (S.D.N.Y. 2010) (applying Chevron deference to regulations promulgated under § 408(c) and Skidmore deference to Office circulars and the Compendium automated database registration but said the works were not properly registered).

105. *Alaska Stock*, 747 F.3d at 678 (noting that "this has been the Copyright Office interpretation '[f]or more than thirty years'" and that "collective works, such as newspapers and magazines, can contain hundreds—if not thousands—of copyrightable works that the claimant owns but did not author").

106. *Compare Metro. Reg'l Info. Sys. v. Am. Home Realty Network, Inc.*, 722 F.3d 591, 597–99 (4th Cir. 2013) (following the Office's interpretation); *Morris v. Bus. Concepts, Inc.*, 283 F.3d 502, 505–06 (2d Cir. 2002) (finding the Office's position persuasive), *with Muench Photography*, 712 F. Supp. 2d at 94 (S.D.N.Y. 2010) ("[A]sking the Court flatly to ignore the requirement that the authors' names be listed . . . goes a bridge too far."); *Bean v. Houghton*

C. ADMINISTRATION OF STATUTORY LICENSES

The Copyright Act contains a variety of statutory licenses that permit specified uses of protected works so long as the user complies with the relevant formalities and pays the required royalties to copyright holders.¹⁰⁷ Many of these provisions direct the Office to prescribe regulations for the filing of relevant documentation.¹⁰⁸

The Office has been in the business of administering one of those statutory licenses, the mechanical license, for more than a century—since the advent of player pianos prompted Congress to include it in the Copyright Act of 1909.¹⁰⁹ Today, the Office collects royalties under statutory licenses, including the cable, satellite, and digital audio recording licenses.¹¹⁰ In 2016, those royalties totaled more than \$240 million that was eventually dispersed to copyright holders.¹¹¹

Rates under these and other licenses have been set by the Copyright Royalty Board (CRB), a separate division of the Library of Congress, since 2005.¹¹² The three-judge CRB panel is designed to offer expertise in both

Mifflin Harcourt Publ'g Co., 2010 WL 3168624, at *4 (D. Ariz. Aug. 10, 2010) (holding that registrations of collective works containing photographs were insufficient to permit individual photographers to sue for infringement).

107. *See, e.g.*, 17 U.S.C. § 111(d) (2012) (providing for a statutory license for secondary transmissions by cable systems); § 112(e) (providing for a statutory license for ephemeral recordings); § 114(f) (providing for a statutory license for certain digital audio transmissions); § 115 (providing for a statutory license to make and distribute phonorecords); § 119 (providing for a statutory license for secondary transmissions by satellite carriers); § 122 (providing for a statutory license for secondary transmissions of local television programming by satellite carriers); *see also* 17 U.S.C. § 1003(a) (requiring royalty payments for the importation and distribution of digital audio recording devices and digital audio recording media).

108. *See, e.g.*, 17 U.S.C. § 111(d) (stating a cable system shall “deposit with the Register of Copyrights, in accordance with requirements that the Register shall prescribe by regulation . . . a statement of account . . .”); § 115(b)(1) (“Any person who wishes to obtain a compulsory license under this section shall . . . serve notice of intention The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.”); § 119 (“A satellite carrier . . . shall, on a semiannual basis, deposit with the Register of Copyrights, in accordance with requirements that the Register shall prescribe by regulation . . . a statement of account.”).

109. *See* Copyright Act of 1909 § 1(e), Pub. L. No. 60-349, 35 Stat. 1075, 1075–76 (repealed 1976); 17 U.S.C. § 115 (2012) (providing that “any other person, including those who make phonorecords or digital phonorecord deliveries, may, by complying with the provisions of this section, obtain a compulsory license to make and distribute phonorecords” of musical works that have been previously distributed to the public).

110. *See* FISCAL 2016 REPORT, *supra* note 78, at 10.

111. *See id.* Royalties under other statutory licenses are administered by licensing organizations like the Harry Fox Agency, for mechanical licenses, and SoundExchange, for digital performance rights.

112. *See* 17 U.S.C. § 801.

copyright law and economics.¹¹³ However, the Office retains considerable input on legal questions confronting the CRB. For any “novel material question of substantive law” the CRB must “request a decision of the Register of Copyrights, in writing.”¹¹⁴ The CRB can also seek the Register’s input on matters of statutory interpretation or other substantive legal questions.¹¹⁵ And the Register has the power to review a CRB decision for legal error.¹¹⁶ Nonetheless, this division of labor reflects, in part, the Office’s relative lack of expertise—either contributory or interactional—in economic questions.

The Office exercises considerable administrative authority over these statutory licenses. And its interpretations of their provisions, informed by its longstanding day-to-day responsibility for them, have been recognized by courts. In perhaps the most powerful example, the Eleventh Circuit accepted the Office’s interpretation of the term “cable system” under the § 111 statutory license as excluding satellite providers,¹¹⁷ and it did so despite the fact that the Office’s regulations conflicted with the court’s own holding in a prior case.¹¹⁸ And the D.C. Circuit has noted that the “Copyright Office certainly has greater expertise in [interpreting the terms of § 111] than do the federal courts.”¹¹⁹

But even with respect to these statutory licenses, the Office’s expertise has its limits. Although the bulk of the Office’s regulatory output relates to these licenses,¹²⁰ it is important to distinguish between administrative and substantive regulations. Some Office rules relate to record keeping and other procedural considerations, while others define various categories of services

113. 17 U.S.C. § 802(a) (providing that one judge must be an expert in copyright law and another in economics). Although the CRB can claim some degree of legal and economic expertise, it is far from ideally situated to set royalty rates that allocate billions of dollars annually among copyright holders and service providers. Aside from its three administrative judges, the CRB has a total staff of three. *See* § 802(b). Although an extreme example, entrusting the regulation of billion dollar industries to a skeleton crew of federal employees is emblematic of the lack of administrative resources devoted to copyright law.

114. 17 U.S.C. § 802(f)(1)(B).

115. *See* 17 U.S.C. § 802(f)(1)(A)(ii).

116. *See* 17 U.S.C. § 802(f)(1)(D).

117. *See* 37 C.F.R. § 201.17(k) (2018).

118. *See* *Satellite Broad. & Communs. Ass’n of Am. v. Oman*, 17 F.3d 344, 348 (11th Cir. 1994); *NBC v. Satellite Broad. Networks, Inc.*, 940 F.2d 1467, 1471 (11th Cir. 1991).

119. *Cablevision Sys. Dev. Co. v. Motion Picture Ass’n of Am., Inc.*, 836 F.2d 599, 608 (D.C. Cir. 1988); *see also* *Fox TV Stations, Inc. v. Aereokiller, LLC*, 851 F.3d 1002, 1011 (9th Cir. 2017) (describing the Office as “institutionally better equipped than [the Court is] to sift through and to make sense of the vast and heterogeneous expanse that is the Act’s legislative history”); *Fox TV Stations, Inc. v. FilmOn X LLC*, 150 F. Supp. 3d 1, 24 (D.D.C. 2015) (noting the Office’s “unique expertise in this highly technical area of the law”).

120. Regulations relating to these statutory licenses account for 64% of Copyright Office regulations. *See* Joseph P. Liu, *supra* note 76, at 634.

subject to different royalty rates.¹²¹ Although the Office has a strong claim to expertise with respect to the former, it is far from clear that either the Office or the CRB have the expertise necessary to define and distinguish between various classes of digital services that are neither identified nor defined in the Copyright Act. That is properly the responsibility of Congress.

This discussion is not intended to be an exhaustive account of those areas of copyright law in which the Office can make a strong claim of expertise. Questions related to deposit,¹²² renewal,¹²³ and publication¹²⁴—among others—also implicate longstanding duties that frequently require the Office’s careful consideration. To generalize from these examples, the Office’s expertise is clearest when it interprets statutory provisions or implements rules related to those issues it confronts on a day-to-day basis, either because of its general administrative duties or an explicit congressional mandate. In those domains, the Office primarily leverages contributory expertise gained through both formal training and repeat experience. But as the next Part will demonstrate, the Office’s role has expanded well beyond its contributory expertise and likely beyond its current interactional expertise.

121. Compare 37 C.F.R. pt. 360.3 (outlining the form and content of claims), *with* 37 C.F.R. pt. 385 (defining rates for the use of musical works in making and distributing phonorecords for more than a dozen types of services).

122. See 37 C.F.R. § 202.19 (defining “best edition” and “complete copy” for purposes of deposit).

123. Courts have not always been receptive to the Office’s views on renewal, however. See *Bartok v. Boosey & Hawkes, Inc.*, 523 F.2d 941, 947 n.10 (2d Cir. 1975) (refusing to defer to the Office on an issue of first impression); *Broad. Music, Inc. v. Roger Miller Music, Inc.*, 396 F.3d 762, 778 (6th Cir. 2005) (declining to follow the Office’s interpretation of renewal provisions).

124. See *Batjac Prods., Inc. v. GoodTimes Home Video Corp.*, 160 F.3d 1223, 1230, 1235–36 (9th Cir. 1998) (embracing the Office’s view that “publication of a motion picture constitutes the publication of its soundtrack”).

IV. THE LIMITS OF THE OFFICE'S EXPERTISE

Copyright law has grown increasingly technical as the copyright marketplace has grown increasingly technological. Driven in part by a desire for a more flexible and responsive regulatory model, the Office has been granted new rulemaking authority and has pursued new opportunities to influence policy in the digital environment. But the Office does not possess unique insight into every question confronting copyright law today. For instance, the Office is not particularly well-positioned to offer expert guidance—much less draft binding exemptions from liability—on questions at the frontier of copyright's distention into the everyday lives of digital consumers. As software permeates the market for consumer goods, copyright law increasingly collides with complex regulatory structures and policy debates that remain largely unfamiliar to the Office.

This Part focuses on the DMCA rulemaking to demonstrate that the expansion of the Office's responsibilities over the past two decades has already outstripped its current expertise. When it comes to questions like device security, privacy, competition, and public safety, the Office has no contributory expertise to speak of, and there is little reason to believe it has developed much in the way of interactional expertise.

A. THE DMCA RULEMAKING

Section 1201 of the DMCA prohibits the circumvention of technological protection measures that control access to copyrighted works.¹²⁵ In other words, it establishes liability—distinct from traditional copyright infringement—for bypassing, removing, or disabling a technological lock that restricts access to a copyrighted work. In response to concerns voiced by a variety of interest groups and industries, Congress included a number of narrowly tailored exemptions to § 1201. These include circumvention undertaken by law enforcement¹²⁶ and nonprofit libraries,¹²⁷ as well as circumvention necessary for encryption research,¹²⁸ security testing,¹²⁹ some acts of reverse engineering,¹³⁰ and the protection of personally identifiable information.¹³¹ With the exception of the broad law enforcement carveout, these exceptions are exceedingly narrow.

125. See 17 U.S.C. § 1201(a)(1)(A) (2012). It also prohibits trafficking in tools that enable the circumvention of both access and copy control. See §§ 1201(a)(2), (b)(1).

126. See 17 U.S.C. § 1201(e).

127. See 17 U.S.C. § 1201(d).

128. See 17 U.S.C. § 1201(g).

129. See 17 U.S.C. § 1201(j).

130. See 17 U.S.C. § 1201(f).

131. See 17 U.S.C. § 1201(i).

Recognizing the likelihood that other exceptions may prove necessary, Congress provided for a triennial rulemaking—either as a “fail-safe mechanism”¹³² that would help the statute keep pace with a rapidly changing marketplace or as a deflection from political accountability for a potentially unpopular impingement on consumer rights.¹³³ The statute calls on the Librarian of Congress, acting on the recommendation of the Register of Copyrights,¹³⁴ to conduct a rulemaking in order to identify classes of copyrighted works, the noninfringing uses of which are likely to be adversely affected by the prohibition on circumvention in the succeeding three-year period.¹³⁵ In practice, the Office conducts the rulemaking through a notice and comment process, building and evaluating the factual record, providing the legal analysis, and ultimately determining which exemptions should be granted.¹³⁶ The statute includes five factors to be considered in evaluating exemption proposals:

- (i) the availability for use of copyrighted works;
- (ii) the availability for use of works for nonprofit archival, preservation, and educational purposes;
- (iii) the impact . . . on criticism, comment, news reporting, teaching, scholarship, or research;
- (iv) the effect of circumvention . . . on the market for or value of copyrighted works; and
- (v) such other factors as the Librarian considers appropriate.¹³⁷

Beyond this basic framework, the statute leaves the procedural and substantive contours of the rulemaking in the hands of the Librarian—and in practice, the Register. In effect, when Congress enacted the DMCA, it gave the Office a new job for which it was poorly prepared. The rulemaking, which essentially asks the Office to draft new exceptions to § 1201, entails a range of

132. H.R. REP. NO. 105-551, pt. 2, at 36 (1998) (internal quotation omitted).

133. See Bill D. Herman & Oscar H. Gandy, Jr., *Catch 1201: A Legislative History and Content Analysis of the DMCA Exemption Proceedings*, 24 CARDOZO ARTS & ENT. L.J. 121, 127–28 (2006).

134. In only one instance has the Librarian of Congress declined to follow the Register’s recommendation. In 2010, the Register opposed renewing an existing exemption proposed by the American Federation for the Blind that permitted circumvention of ebook DRM to enable the read-aloud function or screen readers, determining that proponents had not met their evidentiary burden under a de novo review. The Librarian “considered but rejected the Register’s recommendation” and exempted such acts of circumvention. 75 Fed. Reg. 43,838 (July 27, 2010).

135. See 17 U.S.C. § 1201(a)(1)(C).

136. The statute provides that the Office “shall consult with the Assistant Secretary for Communications and Information of the Department of Commerce.” *Id.* As a result, the National Telecommunications and Information Administration weighs in during the rulemaking process.

137. *Id.*

technology-specific factual questions, inquiries into the market impact of certain behaviors by users, and determinations of noninfringing uses. Rather than leveraging the Office's expertise on matters at the heart of its day-to-day responsibilities, the DMCA rulemaking foists on the Office a set of questions it has no business answering.¹³⁸ Nor does a triennial process—completed just six times over two decades¹³⁹—afford the Office any meaningful opportunity to develop the expertise necessary to discharge its statutory duties.

The history of the triennial rulemaking reveals an Office struggling mightily. The Office has applied a set of shifting and unpredictable standards that have yielded inconsistent and sometimes surprising results. In the most dramatic example, the Register's refusal to renew a twice-granted exemption permitting owners of mobile phones to remove digital locks that prevented them from lawfully using their devices on competing carrier networks led to over 100,000 signatures on a White House petition,¹⁴⁰ an Federal Communications Commission (FCC) investigation,¹⁴¹ a private agreement among carriers to allow unlocking,¹⁴² and an act of Congress overturning the Register's decision.¹⁴³ Although that particular determination managed to capture the public's attention, Office rulemaking generally goes unnoticed.¹⁴⁴

138. See Herman & Gandy, *supra* note 133, at 124 (“This is a significant deviation from the previous role of Copyright Office rulings, which have historically considered only technical matters, leaving interpretation of issues such as fair use to the courts.”).

139. As of this writing, the Office is in the midst of the seventh triennial rulemaking.

140. See Derek Khanna, *Cellphone Unlocking Is the First Step Toward Post-SOPA Copyright Reform*, BOING BOING (Feb. 22, 2013), <https://boingboing.net/2013/02/22/taking-on-real-reform-in-a-pos.html> [<https://perma.cc/SS3F-KP99>].

141. See Derek Khanna, *FCC to Investigate Cellphone Unlocking*, FORBES (Mar. 1, 2013), <https://www.forbes.com/sites/derekkhanna/2013/03/01/fcc-to-investigate-cellphone-unlocking/#1b3aec28137b> [<https://perma.cc/V56B-KLHX>].

142. See Roger C. Sherman & Kris Monteith, *Wireless Providers Fulfill Commitment to Let Consumers Unlock Mobile Phones*, FED. COMM. COMMISSION (Feb. 11, 2015), <https://www.fcc.gov/news-events/blog/2015/02/11/wireless-providers-fulfill-commitment-let-consumers-unlock-mobile-phones> [<https://perma.cc/HCK8-HR7Z>].

143. See Unlocking Consumer Choice and Wireless Competition Act, Pub. L. No. 113–144 (2014).

144. Short of political pressure, it remains unclear how—or whether—the outcome of a § 1201 rulemaking can be challenged. Since the Office follows formal notice-and-comment procedures in response to an explicit delegation of authority, courts may apply *Chevron* deference in evaluating the choice to grant or deny an exemption. In a recent case challenging both the failure to grant certain exemptions and the narrow scope of others, plaintiff researchers argued that the final rule was arbitrary and capricious in violation of the APA. See Complaint, *Green v. Dep't of Justice*, No. 1:16-cv-01492 (D.D.C. July 21, 2016). In response, the Department of Justice maintained that since the final rule was issued by the Librarian of Congress, sovereign immunity precluded any APA challenge. See Memorandum in Support of Defendants' Motion to Dismiss, *Green v. Dep't of Justice*, No. 1:16-cv-01492-EGS (D.D.C. Sept. 29, 2016) (“[C]ourts including the D.C. Circuit have repeatedly held that the APA’s

B. RULEMAKING PROCEDURES & STANDARDS

In implementing the DMCA rulemaking, the Office has made a number of contested interpretive choices.¹⁴⁵ First, the directive to identify “classes of works,” as opposed to classes of users or types of use, that should be exempt from the anticircumvention provision was initially interpreted quite literally by the Office. In the first two rulemakings, proposals were required to identify a section 102 class of works—like sound recordings or audiovisual works.¹⁴⁶ Those classes could be further narrowed by additional descriptive limitations such as the media in which the works are fixed, their content, or the type of protection measures applied to them.¹⁴⁷ But the Register categorically rejected proposals that limited the class of works by identifying groups of users or types of use of works.¹⁴⁸

In 2006, however, the Office dramatically altered its approach. Under its new interpretation of the statute,¹⁴⁹ limiting a class by use or user was permissible. Indeed, of the six exemptions the Office recommended, four contained user- or use-based limitations.¹⁵⁰ This shift with respect to one of

waiver of sovereign immunity in 5 U.S.C. § 702 does not apply to claims against the Library of Congress, nor can the APA’s right of action in 5 U.S.C. § 706 be invoked against the Library of Congress.”).

145. Although styled as a rulemaking, the Office’s approach is atypical. Rather than conduct independent fact finding and propose potential exemptions, the Office—for reasons almost certainly related to limited resources and expertise—relies on “proponents” to submit exemptions proposals and build a factual record in support. “Opponents” are then given an opportunity to submit objections. And both sides of this adversarial process are heard in formal hearings before the Office. *See* Jonathan Band, *The Complexity Dialectic: A Case Study From Copyright Law 3* (Mar. 10, 2015) (unpublished manuscript), <http://infojustice.org/archives/34061> [<https://perma.cc/EE3V-LUL7>] (“[T]he Copyright Office has converted the rulemaking into a quasi-adjudicatory proceeding, with burdens of proof, rounds of submissions, and formal hearings.”).

146. The Commerce Committee Report on the DMCA explained that a class should be “a narrow and focused subset of the broad categories of works of authorship . . . identified in Section 102 of the Copyright Act.” H.R. REP., *supra* note 132, at 38.

147. *See* Memorandum from Marybeth Peters, Register of Copyrights, to James H. Billington, Librarian of Cong., Recommendation of the Register of Copyrights in RM 2002-4; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies (Oct. 27, 2003), <https://www.copyright.gov/1201/docs/registers-recommendation.pdf> [<https://perma.cc/36VN-E25F>] [hereinafter 2003 Recommendation] (“[A]ttributes of the works themselves, and not by reference to some external criteria such as the intended use or users of the works.”).

148. *See* Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, 65 Fed. Reg. 64,556, 64,560 (Oct. 27, 2000); 2003 Recommendation, *supra* note 147, at 84–85.

149. *See* 2003 Recommendation, *supra* note 147, at 17–20.

150. The use- or user-based classes included audiovisual works used by film studies professors for educational purposes, computer programs in obsolete formats used for archival

the cornerstone principles of the rulemaking is largely responsible for the uptick in granted exemptions, but at the same time, it has led to their increasing narrowness.¹⁵¹

Once a class has been defined, the Office must determine whether the anticircumvention provisions are likely to interfere with noninfringing uses of works within that class. The question of infringement is typically the province of federal courts, not the Office.¹⁵² The Office has little authority or experience adjudicating infringement claims, so determining whether the uses envisioned by exemption proposals are noninfringing presents a challenge: Infringement is often a complex, fact intensive question, not a matter of simply interpreting the statute. Indeed, the statute offers precious little guidance on the question,¹⁵³ as evidenced by the competing approaches to infringement adopted among, and sometimes within, the circuit courts. The uses at issue in the rulemaking often involve new technologies and untested infringement theories, exacerbating the challenge facing the Office.

Fair use complicates things even more. Initially the Office, cognizant of its own limitations, approved exemptions only for uses that were unquestionably noninfringing as a matter of well-settled law.¹⁵⁴ But such a conservative approach threatened to render the rulemaking useless. Over time, the Office grew bolder. In 2006, the Office recommended an exemption for audiovisual works when circumvention is undertaken to enable educational use by university professors on the uncontested assumption that such use was fair.¹⁵⁵

purposes, wireless phone firmware used for to lawfully connect to a wireless network, and sound recordings for the purposes of testing, investigating, or correcting security flaws. *See* Memorandum from Marybeth Peters, Register of Copyrights, to James H. Billington, Librarian of Cong., Recommendation of the Register of Copyrights in RM 2005-11; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies 1–2 (Nov. 17, 2006), https://www.copyright.gov/1201/docs/1201_recommendation.pdf [<https://perma.cc/U4PE-LZ74>] [hereinafter 2006 Recommendation].

151. In one instance, it led to the Register narrowing a previously-granted exemption. *See* Christopher Moseng, *The Failures and Possible Redemption of the DMCA Anticircumvention Rulemaking Provision*, 12 J. TECH. L. & POL'Y 333, 350 (2007) (describing the narrowed exemption for “certain computer programs and video games”); *see also* Mark Gray, *New Rules for a New Decade: Improving the Copyright Office’s Anti-Circumvention Rulemakings*, 29 BERKELEY TECH. L.J. 759, 792 (2014) (describing an exemption for DVDs as a “dense, four-paragraph block of single-spaced text that took over two pages to spell out”).

152. Some have suggested that the primary function of the rulemaking is “reducing the role of the courts—and of fair use—in the digital millennium.” Herman & Gandy, *supra* note 133, at 124.

153. *See generally* 17 U.S.C. § 501 (2012).

154. *See* 2003 Recommendation, *supra* note 147, at 155.

155. *See* 2006 Recommendation, *supra* note 150, at 1.

In 2010,¹⁵⁶ the Office went further, engaging in a full analysis of the four fair use factors in connection with proposals to exempt jail-breaking mobile phones and security testing on video games.¹⁵⁷ These determinations were not based on any directly-applicable judicial precedent, but the Office's own application of the fair use factors.¹⁵⁸ Regardless of whether it reached the appropriate result, assuming the authority to make fair use determinations signals a considerable expansion of the Office's role. The Office continued to analyze fair use in subsequent rulemakings, but has emphasized existing precedent rather than its own judgment where possible.¹⁵⁹

The Office's struggle here is perhaps best understood as a function of expertise. The Office has precious little experience deciding questions of infringement or independently analyzing fair use. Although it lacks any contributory expertise, the Office does, however, have a strong working knowledge of the statute and case law, suggesting that it may be able to bring interactional expertise to bear on these questions. The Office seems to recognize that fair use determinations are at the outer edge of its expertise and

156. The third triennial rulemaking was significantly delayed; the Register made her recommendations to the Librarian in June of 2010, some ten months after exemptions granted in 2006 were set to expire.

157. Memorandum from Marybeth Peters, Register of Copyrights, to James H. Billington, Librarian of Cong., Recommendation of the Register of Copyrights in RM 2008-8; Rulemaking on Exemptions from Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies 92–100, 183–203 (June 11, 2010), <https://www.copyright.gov/1201/2010/initialed-registers-recommendation-june-11-2010.pdf> [<https://perma.cc/9YKC-AX4T>] [hereinafter 2010 Recommendation].

158. Arielle Singh, Note, *Agency Regulation in Copyright Law: Rulemaking Under the DMCA and Its Broader Implications*, 26 BERKELEY TECH. L.J. 527, 563 (2011) (“The Register showed that she did not have to rely on judicial precedent or direct statutory language to determine if a use was noninfringing.”).

159. In 2012, the Office determined that the creation of noncommercial videos, documentary films, and multimedia ebook, and educational uses of audiovisual works were “likely to be fair uses.” Memorandum from Marybeth Peters, Register of Copyrights, to James H. Billington, Librarian of Cong., Recommendation of the Register of Copyrights, Section 1201 Rulemaking: Fifth Triennial Proceeding to Determine Exemptions to the Prohibition on Circumvention 126–27, (Oct. 12, 2012), https://www.copyright.gov/1201/2012/Section_1201_Rulemaking_2012_Recommendation.pdf [<https://perma.cc/EDR6-VB2C>] [hereinafter 2012 Recommendation]. And in 2015, the Office concluded space-shifting and format-shifting of ebooks and audiovisual works were likely not fair. But that making e-books accessible to blind, visually impaired, or print disabled persons, mobile phone unlocking, modifying smart television firmware to enable interoperability were likely fair. *See* Memorandum from Marybeth Peters, Register of Copyrights, to James H. Billington, Librarian of Cong., Recommendation of the Register of Copyrights, Section 1201 Rulemaking: Sixth Triennial Proceeding to Determine Exemptions to the Prohibition on Circumvention 132 (Oct. 8, 2015), <https://www.copyright.gov/1201/2015/registers-recommendation.pdf> [<https://perma.cc/Q92L-BEPB>] [hereinafter 2015 Recommendation].

has taken a reasonably cautious approach when confronted with such arguments by carefully analogizing to existing judicial precedent. Problematically, by creating a new venue for the resolution of fair use questions growing out of technological protection measures, the rulemaking is reducing the likelihood that courts will hear the current generation of fair use cases, shifting power from the courts to the Office and impeding the development of fair use to address new circumstances.¹⁶⁰

One other change in the Office's rulemaking standards is noteworthy. In each subsequent rulemaking, the Office has reviewed existing exemptions *de novo*, insisting on a new showing of ongoing harm.¹⁶¹ This approach has proven problematic for a number of reasons. Proposing an exemption and building the factual record to support it is a massive undertaking. So *de novo* review places a significant burden on the individuals and non-profit organizations that submit the vast majority of exemption proposals.¹⁶² This approach places a similar undue burden on the Office itself, which must deploy resources to re-litigate issues even when no facts have changed.¹⁶³ The *de novo* review standard also ignores the ways in which the existence of an exemption may reduce the availability of facts, demonstrating harm to noninfringing use in subsequent periods.¹⁶⁴

For the seventh triennial rulemaking, the Office announced a new process

160. Herman & Gandy, *supra* note 133, at 188; Elec. Frontier Found., *DMCA Triennial Rulemaking: Failing the Digital Consumer* at 6 (Dec. 1, 2005), <https://www.eff.org/document/dmca-triennial-rulemaking-failing-digital-consumer> [<https://perma.cc/4VFR-WWM4>] (“Rather than treating fair use as a forward-looking, evolving regime, the Copyright Office has made it backward-looking, effectively barring courts from addressing the fair use implications of new digital consumer technologies in the 21st century.”).

161. *See generally* 2003 Recommendation, *supra* note 147; 2006 Recommendation, *supra* note 150; 2010 Recommendation, *supra* note 157; 2012 Recommendation, *supra* note 159; 2015 Recommendation, *supra* note 159.

162. Proponents of exemption proposals report dedicating over 500 hours of time to build the legal and factual case for an exemption. *See* U.S. COPYRIGHT OFFICE, SECTION 1201 OF TITLE 17: A REPORT OF THE REGISTER OF COPYRIGHTS 128 (June 2017), <https://www.copyright.gov/policy/1201/section-1201-full-report.pdf> [<https://perma.cc/M2QD-THC7>] [hereinafter SECTION 1201 REPORT]; *see also* Band, *supra* note 145, at 5 (“The triennial rulemaking has evolved into a complex undertaking that is difficult, if not impossible, for individuals or entities to navigate successfully without retaining counsel.”).

163. *See* Moseng, *supra* note 151, at 353 (noting that the existing exemption for website blacklists was denied in 2006 “not because of affirmative changes in the marketplace . . . but because the party seeking the exemption chose to rest on the record from three years ago, and argued that nothing had changed”) (internal quotation omitted).

164. *See generally* Aaron Perzanowski, *Evolving Standards & the Future of DMCA Anticircumvention Rulemaking*, 10 J. INTERNET L. 1 (2007) (noting problems posed by the *de novo* standard).

for considering exemption renewals.¹⁶⁵ Under this streamlined process,

a party must provide a short paragraph explaining the basis for its request to readopt the exemption and declare that: if the exemption is not renewed, users would be unable to make noninfringing uses of the copyrighted works, and are likely to rely upon the exemption in the next three-year period; and there has been no material change in the facts¹⁶⁶

In the absence of “meaningful opposition,” the Office will recommend the exemption “on existing evidence.”¹⁶⁷ For the reasons outlined above, this is an important and positive reform to the rulemaking process. The optimistic could interpret it as a sign that the Office is making slow incremental improvements in the rulemaking. But it also shows that twenty years into the triennial rulemaking, the Office continues to shift the goalposts. However, these shifting standards do not represent the strongest critique of the Office’s role in the triennial rulemaking.

C. RULEMAKING SUBJECT MATTER & EXPERTISE

With each round, the subject matter of the proposed exemptions has moved farther afield from the Office’s expertise.¹⁶⁸ Exemption proposals commonly raise contested questions of fact and law regarding software and a host of other new technologies. These questions entail matters of law and policy far beyond copyright law—from election security and consumer privacy to environmental protection and patients’ rights. The Office—designed to create and track records of copyright claims—cannot be expected to resolve those matters through the application of genuine expertise absent a ground-up rethinking of its size, structure, and mission.

Since 2006, the Office has been repeatedly required to tackle matters that it was never designed to and should have never been tasked with addressing. The questions—orthogonal to the Office’s expertise, but central to the rulemaking—arise in three distinct contexts. First, to determine whether exemption proposals identify significant harms, the Office considers impacts of protection measures that extend well beyond mere access to copyrighted works. Second, to the extent the Office considers fair use, as it increasingly has, as the basis for a finding of non-infringement, the nature and character of

165. *See generally* *Rulemaking Proceedings Under Section 1201 of Title 17*, U.S. COPYRIGHT OFFICE, <https://www.copyright.gov/1201/> [<https://perma.cc/55KQ-XPG7>].

166. *See* Transcript of Informational Video on Rulemaking, U.S. Copyright Office, Streamlined Petitions for Renewed Exemptions (2018), https://www.copyright.gov/1201/1201_streamlined_renewal_transcript.pdf [<https://perma.cc/GVT9-HVS2>].

167. *Id.*

168. *See* Ohm & Reid, *supra* note 9, at 1683–86.

the use compels the Office to consider the broader social value of acts, like security testing and medical diagnostics, enabled by circumvention. And third, the fifth catch-all factor, under which the Office considers “such other factors as the Librarian considers appropriate,” has been used by the Office to import considerations well outside the scope of copyright law, including wireless competition and vehicle safety.¹⁶⁹

1. *Security Testing*

Beginning in 2006, the Office has recommended a series of exemptions related to security testing that illustrate well the degree to which the § 1201 rulemaking tests the limits of the Office’s expertise. The first such exemption was prompted by Sony BMG’s distribution of music CDs that surreptitiously installed protection measures cloaked by a rootkit that caused serious security vulnerabilities for millions of consumers.¹⁷⁰ In order to clarify the legality of research to uncover and address security flaws in Digital Rights Management (DRM) technologies, two academic researchers sought an exemption.¹⁷¹

As the Office noted at the time, “[i]t is difficult to fit concerns about computer security into a rulemaking process which is focused on noninfringing uses of copyrighted works.”¹⁷² Factually, the proposal required the Office to engage deeply with the operation of these protection measures, the risks they create for users, and the research methods used to assess them. Moreover, it forced the Office to consider implications of the anticircumvention rule well beyond the availability and market value of copyrighted works. The Office was obliged to take into account “the strong public interest in preventing the distribution of software that poses security risks to the computers of unwitting consumers.”¹⁷³

In 2010, the Office approved a similar exemption—this time applied to video games that pose potential security risks. In assessing the risk of harm, the Office was asked to consider the proponent’s claim that the security risks at issue were “much more dangerous than the Sony rootkit flaw” and opponents’ contention that “the vulnerability . . . was resolved and a patch made available to consumers.”¹⁷⁴ Even a charitable interpretation of the Office’s expertise must admit that it is poorly positioned to determine whether

169. 17 U.S.C. § 1201(a)(1)(C)(v) (2012).

170. See generally Deirdre K. Mulligan & Aaron K. Perzanowski, *The Magnificence of the Disaster: Reconstructing the Sony BMG Rootkit Incident*, 22 BERKELEY TECH. L.J. 1157, 1158 (2007).

171. In the interest of disclosure, as a law student under the supervision of Deirdre Mulligan, I represented Ed Felten and Alex Halderman in the rulemaking, drafted their exemption proposal, and testified in support of it.

172. 2006 Recommendation, *supra* note 150, at 60.

173. *Id.*

174. 2010 Recommendation, *supra* note 157, at 180–81 (internal quotation omitted).

security risks are best addressed through independent research or market-focused self-discipline.

By 2015, similar security concerns had spread to a range of products including voting machines, medical devices, cars and other land vehicles, and consumer devices generally.¹⁷⁵ Perhaps more than any others, these proposals exemplify the problem the Office now faces in § 1201 rulemaking. Exemption opponents argue that “the risk to public safety that would be created by granting [it] outweighs the minimal benefits offered by unauthorized security research.”¹⁷⁶ How an Office designed to register copyright claims is meant to answer that question with anything approaching expertise remains a mystery.¹⁷⁷

Not only must the Office evaluate a factual record that ranges from hacking voice messaging systems in children’s toys, automobile remote locks, vote tallies, and pacemakers, but it must also take the maze of regulations and guidance issued by other federal agencies into account.¹⁷⁸ In 2015, the Office informed the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and the Food and Drug Administration (FDA) of the rulemaking.¹⁷⁹ Each of those agencies cautioned against the proposed exemption. “FDA expressed concerns about the proposed exemptions . . . for medical device software security research”; “EPA urged the Office to decline to recommend the proposed exemption . . . for vehicle software security research [because it might] slow or reverse gains under the Clean Air Act”; and “DOT noted concerns over the nature and timing of the potential public disclosure of security research.”¹⁸⁰

As DOT’s position suggests, one of the key questions the Office wrestled with was “the extent to which any exemption should incorporate a requirement that flaws uncovered by security researchers be disclosed to the software developer and/or product manufacturer before being communicated

175. See 2015 Recommendation, *supra* note 159, at 7.

176. *Id.* at 292.

177. In a letter to the Office, the NTIA recognized the difficulty. Noting the “extensive discussion of matters with no or at best a very tenuous nexus to copyright protection,” NTIA urged the Office to avoid “interpreting the statute in a way that would require it to develop expertise in every area of policy that participants may cite on the record.” Letter from Lawrence E. Strickling, Assistant Sec’y. for Comm’n & Info. & Adm’r of Nat’l Telecomm. & Info. Admin., to Maria A. Pallante, Register of Copyrights 3–4 (Sept. 18, 2015), https://copyright.gov/1201/2015/2015_NTIA_Letter.pdf [<https://perma.cc/3YVL-KV3G>].

178. See *id.*

179. See *USCO Letters to Other Agencies*, U.S. COPYRIGHT OFF., <https://www.copyright.gov/1201/2015/USCO-letters/> [<https://perma.cc/Q692-UU6Y>] (last visited Nov. 20, 2018).

180. 2015 Recommendation, *supra* note 159, at 313–14.

to the public at large.”¹⁸¹ This is, simply put, a question the Office is not qualified to answer. The Office summed up the problem it faces well:

The rules that should govern such research hardly seem the province of copyright, since the considerations of how safely to encourage such investigation are fairly far afield from copyright’s core purpose of promoting the creation and dissemination of creative works. Rather, the rules that should govern are best considered by those responsible for our national security and for regulating the consumer products and services at issue. That said, it is inescapable that the anticircumvention prohibition in section 1201(a)(1) plays a role in the debate.¹⁸²

2. *Unlocking*

In 2006, the Office recommended an exemption for circumvention of protection measures on wireless telephone firmware to enable users to connect to a mobile network, a process commonly referred to as unlocking. As the Office correctly explained, these protection measures are “used by wireless carriers to limit the ability of subscribers to switch to other carriers, a business decision that has nothing whatsoever to do with the interests protected by copyright.”¹⁸³ As a result, they implicate questions of competition in the wireless market, typically the province of the Federal Communications Commission (FCC).¹⁸⁴

The Office effectively renewed that exemption in 2010, but noted that “the issues discussed herein are particularly complicated because of the mobile phone technologies at issue and the business models used in the wireless industry,” a set of questions understandably outside the Office’s expertise.¹⁸⁵ The Office was called on by proponents of the exemption to consider a number of additional factors including: competition; small business development; communications law; environmental concerns; and existing subsidy arrangements.¹⁸⁶ As the Office noted, these “may be valid arguments to make before other administrative agencies, such as the FCC, but are inapt here, in a proceeding conducted by the Copyright Office and the Librarian of Congress, which have no responsibilities for, and no particular expertise in, such matters”¹⁸⁷ What the Office failed to recognize, however, is that there is no avoiding these questions for an agency tasked with ongoing

181. *Id.* at 275.

182. *Id.* at 316.

183. 2006 Recommendation, *supra* note 150, at 52.

184. *See* 47 U.S.C. § 332 (2012).

185. 2010 Recommendation, *supra* note 157, at 107.

186. *See generally id.*

187. *Id.* at 153.

stewardship of § 1201 exemptions.¹⁸⁸

In what was perhaps an effort to retreat from this unfamiliar territory, the Office in 2012 all but eliminated the unlocking exemption, recommending a provision limiting the exemption to phones “acquired within ninety days of its effective date.”¹⁸⁹ Although the Office continued to assert that at least some unlocking was non-infringing, “the Register conclude[d] that . . . there are ample alternatives to circumvention—that is, the marketplace has evolved such that there is now a wide array of unlocked phone options available to consumers.”¹⁹⁰

The backlash to the new rule was swift and severe. Over 100,000 people signed a White House petition to overrule the Office.¹⁹¹ After FCC commissioners spoke out against the decision,¹⁹² the National Telecommunications and Information Administration (NTIA) successfully petitioned the FCC to take on the issue.¹⁹³ Shortly thereafter, the industry announced a set of voluntary principles to facilitate unlocking. Moreover, Congress passed legislation to revert to the broader 2010 exemption.¹⁹⁴ After this rebuke, the Office expanded the unlocking exemption in 2015 to include not only mobile phones but also, tablets, portable connectivity devices like hotspots, and wearable devices like smartwatches.¹⁹⁵

188. As the NTIA has noted “non-copyright concerns have been relevant to proposed exemptions in past rulemakings, highlighting in particular the competition and telecommunications policies supporting past cellphone unlocking exemptions.” 2015 Recommendation, *supra* note 159, at 245.

189. 2012 Recommendation, *supra* note 159, at 100.

190. *Id.* at 95.

191. The Obama administration expressed its disagreement with the decision, but appeared unwilling or unable to directly challenge it. Edward Wyatt, *F.C.C. Backs Consumers in Unlocking of Cellphones*, N.Y. TIMES (Mar. 4, 2013), <https://www.nytimes.com/2013/03/05/technology/fcc-urges-a-right-to-unlock-cellphones.html> [<https://perma.cc/2KJA-RXDQ>] (“Because the Library of Congress, and therefore the copyright office, are part of the legislative branch, the White House cannot simply overturn the current ruling.”).

192.

I think that is one powerful librarian. I also think this new approach does not make sense. Because if you have a mobile device, want to unlock it, and you are not bound by a service contract—you should be able to use it on another network. That makes our markets for wireless service more competitive—and that benefits consumers.

Jessica Rosenworcel, Comm’r, Fed. Comm’n Comm’n, Statement Re: Cell Phone Unlocking Presentation (Dec. 12, 2013).

193. *See* Khanna, *supra* note 141.

194. *See* Unlocking Consumer Choice and Wireless Competition Act, Pub. L. No. 113-144 (2014).

195. *See* 2015 Recommendation, *supra* note 159, at 6–7.

3. *Jailbreaking*

Relatedly, the Office recommended an exemption in 2010 that permitted circumvention of software on mobile phones for the purpose of enabling interoperability with other programs.¹⁹⁶ This process, commonly known as jailbreaking, allows users to install software that has not been approved by the phone's manufacturer or the developer of its operating system.¹⁹⁷

In opposition to this proposal, Apple argued that its protection measures were necessary to avoid a host of calamities that included: "crashes and instability;" "malfunctioning and safety;" "invasion of privacy;" "exposing children to age-inappropriate content;" "viruses and malware;" and "the inability to update software."¹⁹⁸ As a result, Apple argued that an exemption would reduce the value of its software. While the Office ultimately rejected those arguments, the challenges demonstrate the degree to which the rulemaking calls on the Office to consider questions far beyond its expertise. In 2012, the Office followed a similar analysis and recommended a similar exemption.¹⁹⁹ And in 2015, it expanded the exemption to include "smartphones and portable all-purpose mobile computing devices"²⁰⁰

It also recommended the adoption of a new, but related exemption for smart televisions.²⁰¹ There, LG raised similar arguments that an exemption "would harm 'platform security' by making smart TVs more vulnerable to malicious software or hacking."²⁰² Ultimately, the Office found that claim unpersuasive, but that determination—right or wrong—is not rooted in the unique perspective of an expert agency.

4. *Additional 2015 Exemptions*

The Office recommended three additional exemptions in 2015 that illustrate the expanding scope of the technologies under consideration in the rulemaking and underscore how far the Office has been required to stray from its core responsibilities.

First, the Office endorsed an exemption for circumventing protection measures applied to computer programs that control the functioning of motorized land vehicles, excluding their telematics or entertainment systems.²⁰³ Access to that software is often necessary to diagnose problems, perform

196. See 2010 Recommendation, *supra* note 157, at 100.

197. *Id.*

198. *Id.* at 80.

199. See generally 2012 Recommendation, *supra* note 159.

200. 2015 Recommendation, *supra* note 159, at 192.

201. See *id.* at 217.

202. *Id.* at 209.

203. See *id.* at 246.

routine maintenance, install replacement parts, repair malfunctions, and modify a vehicle.²⁰⁴ But manufacturers from General Motors to John Deere have restricted access to the code that operates these vehicles.²⁰⁵ As a result, “vehicle owners must take their cars to authorized repair shops, or purchase expensive manufacturer-authorized tools, to diagnose and repair their vehicles.”²⁰⁶ Such tactics could reduce competition in the market for repair services and replacement parts, undermine safety, and reduce the resale value of vehicles.²⁰⁷ Though deeply troubling, it’s worth remembering that none of these harms bear any plausible connection to copyright law.

Opponents of the exemption raised concerns related to public safety, security, and the environment. They claimed the exemption could reduce vehicle fuel efficiency, increase emissions,²⁰⁸ and threaten cybersecurity. Perhaps most astoundingly, they argued an exemption “would make it easier for violent partners and predators to monitor, stalk, and harm victims through access to what is now protected internal automobile systems and technology.”²⁰⁹ And again, both DOT and EPA weighed in against the exemption. While the Office took these concerns into account, finding that “the fifth statutory factor . . . weigh[s] against an exemption,” it ultimately recommended it.²¹⁰ Even for those who agree that the exemption was warranted, the mismatch between the Office’s expertise and the considerations it was forced to weigh is striking.

Second, the Office recommended an exemption that would permit circumvention necessary for operators of 3D printers to use the material, or feedstock, of their choice.²¹¹ In much the same way that Lexmark and other printer makers have attempted to control toner cartridges, 3D printer manufacturers have attempted to leverage their power over durable goods to

204. AARON PERZANOWSKI & JASON SCHULTZ, *THE END OF OWNERSHIP: PERSONAL PROPERTY IN THE DIGITAL ECONOMY* 146–47 (Laura DeNardis & Michael Zimmer eds., 2016).

205. *See* 2015 Recommendation, *supra* note 159, at 228.

206. *Id.* at 224.

207. Some farmers have been forced to download firmware for their equipment from Ukrainian websites due to the restrictions imposed by John Deere. *See* Jason Koebler, *Why American Farmers Are Hacking Their Tractors with Ukrainian Firmware*, MOTHERBOARD (Mar. 21, 2017), https://motherboard.vice.com/en_us/article/xykkkd/why-american-farmers-are-hacking-their-tractors-with-ukrainian-firmware [<https://perma.cc/GV4X-NRNJ>].

208. Ironically, the anticircumvention provision itself contributed to Volkswagen’s ability to hide its efforts to cheat emissions testing protocols for its diesel vehicles. *See* PERZANOWSKI & SCHULTZ, *supra* note 204.

209. 2015 Recommendation, *supra* note 159, at 233.

210. *Id.* at 244.

211. *See id.* at 356.

control the market for consumables.²¹²

Proponents of the exemption argued that it would “strengthen property rights, encourage competition and innovation, and meet consumer expectations concerning ownership of consumer devices.”²¹³ Although the Office signaled its agreement, the FDA expressed concern that the exemption could “create unintended public health and safety risks in relation to medical devices produced using 3D printers.”²¹⁴ The Office acknowledged that although those concerns were “not copyright-related,” they were “sufficiently weighty to merit consideration in drafting an exemption.”²¹⁵ As a result, the Office included the proviso that “the exemption shall not extend to . . . goods or materials for use in commerce the physical production of which is subject to legal or regulatory oversight”²¹⁶

Finally, the Office recommended an exemption permitting circumvention to enable access to “data generated by implanted medical devices.”²¹⁷ Pacemakers, defibrillators, insulin pumps, and other implanted devices record and communicate medical data to hospitals and doctors’ offices. Because of encryption and other protection measures, patients are often unable to easily and quickly access data about their own bodies.²¹⁸

Device makers and the FDA, which offered recent guidance recommending such protection measures, expressed misgivings related to device security and patient privacy.²¹⁹ Although proponents of the exemption argued that “the Librarian and the Office are ill equipped[sic] to make determinations about privacy and patient safety,” the Office determined that the “serious nature of these concerns means that they must be carefully considered”²²⁰ In the end, the Office was convinced that the case in favor of the exemption outweighed the concerns of the FDA.²²¹

In addition to renewals of existing exemptions, the 2018 rulemaking has generated new or expanded proposals for exemptions related to jailbreaking, unlocking, device repair, security research, 3D printing, and avionics.²²² For

212. See *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 545 (6th Cir. 2004); *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1530 (2017).

213. 2015 Recommendation, *supra* note 159, at 362.

214. *Id.* at 375.

215. *Id.*

216. *Id.* at 377.

217. *Id.* at 7.

218. PERZANOWSKI & SCHULTZ, *supra* note 204 at 152–53.

219. See 2015 Recommendation, *supra* note 159, at 22–23.

220. *Id.* at 388, 399.

221. See *id.* at 399.

222. Section 1201 Exemptions to Prohibition Against Circumvention of Technological Measures Protecting Copyrighted Works: Petitions for Newly Proposed Exemptions, U.S. COPYRIGHT OFF.,

the foreseeable future, the Office will face the unenviable but statutorily-required task of resolving a set of questions it should never have been asked in the first place. Even when the Office reaches the right result, one should remain mindful of the strain on and the distraction to the Office the rulemaking represents.

In many respects, the Office deserves considerable credit for its handling of the rulemaking process, not because of its deep expertise but because of its absence. With a congressional mandate that stacks the odds against it, the Office has muddled through the immense triennial undertaking and, with a few notable exceptions aside, has managed to reach an appropriate or at least defensible result more often than not. However, whether any one commentator agrees with these outcomes is quite distinct from the question of the Office's expertise and the wisdom of entrusting this process to its ambivalent care. Indeed, regardless of what decisions the Office ultimately makes with respect to these exemption proposals, the record makes clear that the Office is all but guaranteed to face matters beyond any reasonable definition of its expertise.

These concerns over the mismatch between the Office's expertise and the technological and policy questions presented by the spread of software extend beyond the § 1201 rulemaking. In 2015, for example, Senators Grassley and Leahy—noting that “copyrighted software is . . . now essential to the operation of our refrigerators, our cars, our farm equipment, our wireless phones, and virtually any other device you can think of”—asked the Office to provide guidance on software's “ever-increasing role in defining consumer interactions with devices and products”²²³ In response, the Office conducted a study—soliciting comments, holding roundtables—and ultimately issued its analysis of a range of issues that included the resale of software-enabled consumer products, their repair and modification, security, interoperability, and competition.²²⁴ While many of these issues implicate copyright doctrine, the Office is no better positioned to address their practical, technological, and economic complexities in a report to Congress than it is in the context of a

<https://www.copyright.gov/1201/2018/petitions-091317> [https://perma.cc/TW23-LSUP] (last visited Nov. 20, 2018).

223. See Letter from Charles Grassley, Chairman, Comm. on the Judiciary, & Patrick Leahy, Ranking Member, Comm. on the Judiciary, to Maria Pallante, Register of Copyrights (Oct. 22, 2015), <https://www.grassley.senate.gov/sites/default/files/judiciary/upload/2015-10-22%20GEG-Leahy%20to%20Copyright%20Office%20%28Software%20Copyright%20Study%20Request%29.pdf> [https://perma.cc/2PBW-ENGZ].

224. See CONSUMER PRODUCTS REPORT, *supra* note 7, at 27–60. The Office's 69-page report ultimately concluded that “faithful application of existing copyright law doctrines should provide no barrier to legitimate uses.” *Id.* at ii.

rulemaking.²²⁵ Despite the poor fit between the modern copyright environment and the expertise of the Office, questions of this sort will only grow more common and more pressing in years to come. So it is important to consider what, if anything, the Office can do to build the sort of expertise these obligations demand.

V. AN EXPERT COPYRIGHT OFFICE

The current mismatch between the Office's expertise and its duties risks distracting the Office from its core responsibilities. Moreover, it undermines the Office's determinations in the DMCA rulemaking and other regulatory efforts, and it threatens to skew the input Congress receives as part of the legislative process. As an initial matter, both Congress and the Office should approach any new delegations of authority with caution, and they should consider ways to better align the Office's existing authority with its expertise. Moving forward, if the Office is expected to function as an expert agency, Congress should direct and fund the creation of new centers of expertise within it. Finally, as copyright continues to encroach on the everyday lives of citizens, the Office should establish an internal consumer advocate to ensure the public interest is taken into account.

A. REFOCUSING THE OFFICE'S AGENDA

In light of the foregoing discussion, proposals to shift additional authority from the courts and Congress to the Office should be met with skepticism. Recent years have seen suggestions for the Office to adjudicate small claims,²²⁶ resolve fair use disputes,²²⁷ and craft exemptions to traditional infringement liability.²²⁸ But the Office is poorly positioned to take on these additional

225. More generally, Congress sometimes asks the Office to study important questions of copyright law and policy. *See, e.g.*, U.S. COPYRIGHT OFFICE, FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS: A REPORT OF THE REGISTER OF COPYRIGHTS (2011); U.S. COPYRIGHT OFFICE, DMCA SECTION 104 REPORT: A REPORT OF THE REGISTER OF COPYRIGHTS PURSUANT TO § 104 OF THE DIGITAL MILLENNIUM COPYRIGHT ACT (2001). The input Congress receives from the Office would be more useful and reliable if informed by greater technical and economic expertise. As for the courts, they should continue to follow the Office's guidance only to the extent they find it persuasive.

226. *See generally* H.R. 5757, 114th Cong. (2d Sess. 2016).

227. *See* Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087, 1127–28 (2007) (proposing the creation of a Fair Use Board within the Office, but noting that “deference to the agency’s expertise would be inappropriate in these circumstances” and “the power to make generally binding interpretations of the law would remain with the federal courts”).

228. *See* Liu, *supra* note 74, at 152 (“Congress could delegate to the Copyright Office the authority to promulgate additional exemptions via regulation.”). *See also* Terry Hart, *Copyright Reform Step Zero*, 19 INFO. & COMM. TECH. L. 147, 152 (2010) (suggesting that “detailed provisions and exceptions which currently pad Title 17 would be shifted to the C.F.R., where

obligations.²²⁹ It lacks the necessary expertise and resources. Although it continues to make progresses, the Office is struggling to hoist its registration and recordation systems into the twenty-first century.

Rather than expanding the Office's portfolio, Congress should consider scaling back its duties. The DMCA rulemaking is an obvious place to start. Short of repealing § 1201 altogether—an option that has considerable merit beyond lessening the burdens facing the Office²³⁰—there are a number of steps worth considering. Informed in part by the Office's prior rulemaking efforts, Congress should significantly expand the existing statutory exemptions for reverse engineering, security testing, and encryption research.²³¹ Moreover, Congress should consider crafting new permanent statutory exemptions. Those might address specific concerns, like repair and unlocking, that have emerged since the DMCA's enactment.²³² Or more broadly, Congress could exempt circumvention that lacks any nexus with infringement²³³ or circumvention undertaken by the owner of a device or copy.²³⁴ After twenty years, the unintended consequences of § 1201 have become abundantly clear to anyone paying attention.²³⁵ Rather than force the Office to plug new holes in the dike every three years, Congress should take responsibility for the over breadth of the anticircumvention rules.

In the absence of congressional intervention, the Office could relieve some of its own burden by granting broader temporary exemptions, subject to a presumption of renewal, rather than the narrowly-defined, parsimonious exemptions it has granted in recent rulemakings.²³⁶ Another approach that would at least partially extricate the Office from the burden of resolving questions beyond its expertise is to determine that certain activities simply do

they could be more effectively administered and reformed as needed”).

229. Liu, *supra* note 74, at 157 (“The Copyright Office currently does not have sufficient resources or expertise to take on a substantially more robust policymaking role.”).

230. See PERZANOWSKI & SCHULTZ, *supra* note 204.

231. The Office itself has recommended that Congress broaden existing statutory exemptions and create some new ones, a solution that would lessen, though not eliminate, the burden the Office faces in the rulemaking. See SECTION 1201 REPORT, *supra* note 162, at 62–63.

232. *Id.* at 88–99.

233. See generally Chamberlain Group, Inc. v. Skylink Techs., Inc., 381 F.3d 1178 (Fed. Cir. 2004) (holding that a claim for circumvention requires a “critical nexus” to copyright infringement).

234. See PERZANOWSKI & SCHULTZ, *supra* note 204, at 177 (recommending an exemption for copy and device owners).

235. See generally ELEC. FRONTIER FOUND., UNINTENDED CONSEQUENCES: SIXTEEN YEARS UNDER THE DMCA (2014); Jacqueline Lipton, *The Law of Unintended Consequences: The Digital Millennium Copyright Act and Interoperability*, 62 WASH. & LEE L. REV. 487 (2005).

236. See *supra* note 151 and accompanying text.

not violate the anticircumvention provision in the first place. If consumers and researchers face a cloud of uncertain liability, the Office could provide some reassurance and clarity that security research or device unlocking, for example, do not violate § 1201. So far, the Office has been reluctant to adopt that approach, opting to craft narrow temporary exemptions out of an abundance of caution.²³⁷ But the power to determine whether or not an activity presents a prima facie case of circumvention is implicit in the Office's rulemaking authority.²³⁸ When exemptions are necessary, the Office would do well to confine its analysis to those facts directly relevant to questions of circumvention and infringement. The DOT or FDA may have their own views on the advisability of technological controls, but those views are almost certainly based on non-copyright rationales. Taking those views into account will almost inevitably require the Office to exceed its expertise.

B. BUILDING EXPERTISE

Although an Office more focused on its core responsibilities is likely the best short-term solution, the Office can and should develop new expertise given the changes copyright law has undergone and will continue to confront. Even if the Office significantly narrows the factual scope of the § 1201 rulemaking, its other administrative and policy responsibilities would benefit from greater expertise. As others have suggested, the Office would do well to establish internal sources of contributory expertise with respect to both economics and technology.²³⁹ While individual members of the Office staff and leadership may bring relevant experience to bear, those fortuitous personnel choices are no substitute for a long-term institutional commitment to economic and technological expertise.²⁴⁰

To build these capacities, the Office should name a "Chief Economist" and "Chief Technologist."²⁴¹ Other federal agencies that confront similarly complex legal and policy matters have recognized the need for highly qualified experts to inform their decision making. The Federal Trade Commission

237. See generally 2006 Recommendation, *supra* note 150; 2010 Recommendation, *supra* note 157; 2012 Recommendation, *supra* note 159.

238. See 17 U.S.C. § 1201(a)(1)(C) (2012).

239. Pamela Samuelson, *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175, 1205 (2010); Liu, *supra* note 74, at 157 (noting that "the Office would benefit from greater technological expertise" and that "increased economic expertise would be vital").

240. Former Copyright Office General Counsel Sarang Damle, for example, had a background in software development, which no doubt helped inform the Office's understanding of some software-related questions. See Abioye Ella Mosheim, *An Interview with Sy Damle: General Counsel and Associate Register of the US Copyright Office*, 10 LANDSLIDE (2017) <https://www.americanbar.org/content/dam/aba/publications/landslide/2017-nov-dec/interview-sy-damle.authcheckdam.pdf> [<https://perma.cc/466J-7NG6>].

241. Samuelson, *supra* note 239, at 1205.

(FTC), for example, named Ed Felten its first Chief Technologist in 2011.²⁴² Since then a series of distinguished technologists has served in that role.²⁴³ The FTC's Bureau of Economics also houses a sizable team of experts.²⁴⁴ The United States Patent and Trademark Office (USPTO) named Stu Graham as its first Chief Economist in 2010,²⁴⁵ and today that office houses four economic experts.²⁴⁶ The FCC has employed a Chief Economist since the 1940s,²⁴⁷ and it recently voted to establish an Office of Economics & Analytics to concentrate its economics and data operations.²⁴⁸ The Commission also relies on a Chief Technology Officer, who advises the "the Chairman on technology and engineering issues, together with the Office of Engineering and Technology."²⁴⁹

Establishing similar centers of expertise within the Office could prove beneficial in a number of ways. Deep technical expertise would not only help the Office evaluate empirical claims in the record of its rulemakings and studies, it would also better inform the Office as to what questions need to be asked in the first place. When the Office recently created its Copyright

242. See *FTC Chief Technologists*, FED. TRADE COMMISSION, <https://www.ftc.gov/about-ftc/biographies/ftc-chief-technologist> [<https://perma.cc/527W-86MA>] (last visited Nov. 21, 2018). Felten, who sought an exemption for his research in the 2006 DMCA rulemaking, was later named Deputy U.S. Chief Technology Officer by President Obama. Megan Smith & Alexander MacGillivray, *The White House Names Dr. Ed Felten as Deputy U.S. Chief Technology Officer*, WHITE HOUSE PRESIDENT BARACK OBAMA (May 11, 2015), <https://obamawhitehouse.archives.gov/blog/2015/05/11/white-house-names-dr-ed-felten-deputy-us-chief-technology-officer> [<https://perma.cc/9HGT-EMZB>].

243. See *FTC Chief Technologists*, *supra* note 242 (listing Dr. Steve Bellovin, Dr. Latanya Sweeney, Ashkan Soltani, Dr. Laurie Faith Cranor, and Neil Chilson as Dr. Felten's successors).

244. See *Bureau of Economics Biographies*, FED. TRADE COMMISSION, <https://www.ftc.gov/about-ftc/bureaus-offices/bureau-economics/biographies> [<https://perma.cc/WV64-6YF4>].

245. See Press Release, U.S. Patent and Trademark Office, USPTO Chief Economist Unveils Agency's New Economic Research Agenda During Conference on Intellectual Property and the Innovation Economy (Dec. 9, 2010), <https://www.uspto.gov/about-us/news-updates/uspto-chief-economist-unveils-agencys-new-economic-research-agenda-during> [<https://perma.cc/GR76-SKYN>].

246. *Economic Researchers*, U.S. PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/learning-and-resources/ip-policy/economic-research/economic-researchers> [<https://perma.cc/RV6P-K9KV>] (last visited Nov. 21, 2018).

247. See Bill Melody, *Dallas Smythe: A Lifetime at the Frontier of Communications*, 17 CANADIAN J. COMM. (1992), <https://www.cjc-online.ca/index.php/journal/article/view/693/599> [<https://perma.cc/24M5-FX4M>] (noting that Smythe was the FCC's first Chief Economist and served from 1943 to 1948).

248. See Order, *In re* Establishment of the Office of Economics and Analytics, FCC 18-7 (MD Docket No. 18-3) (Jan. 31, 2018, FCC Red.).

249. *Chief Technology Officer of the FCC*, FED. COMM. COMMISSION, <https://www.fcc.gov/strategic-planning-policy-analysis/chief-technology-officer-fcc#block-menu-block> [<https://perma.cc/73TZ-LNLS>].

Modernization Office and named its first Director of Copyright Modernization, it acknowledged the need to bolster its technological expertise when it comes to its IT infrastructure.²⁵⁰ The Office should apply a similar degree of self-reflection to its policy and rulemaking functions. Likewise, given the fundamentally economic justification for U.S. copyright law, the absence of expert economic analysis within the Office is both puzzling and troubling. The Office should not only have the capacity to meaningfully evaluate the economic claims of the parties before it, but it should be capable of generating independent and objective economic analysis to inform and support its policymaking. If the Office wants to grow into an agency with authority on par with the FCC or USPTO, it needs to develop a similar degree of expertise.

C. A VOICE FOR THE PUBLIC

To the extent increased expertise enables the Office to expand its substantive copyright policy agenda, it should consider a more formal and intentional mechanism for taking the public interest into account in its decision making. Procedurally, the Office has been careful in its rulemakings and policy studies to include a range of voices and perspectives. But the Office influences policy through non-public processes as well.

To take one recent example, the Office weighed in on the FCC's "Unlock the Box" initiative, a proposed rule that would have required cable providers to open their platforms to third-party set-top boxes.²⁵¹ That rule would have enabled consumers to access licensed video content using the device of their choice, ending abusive practices by cable companies that enjoy an effective monopoly over set-top box hardware.²⁵² In closed-door communications with the FCC, as well as a letter to certain congressional Representatives, the Office asserted that the rule would have encroached on copyright holders' "exclusive right to license" and their "right to manage the exploitation of a copyrighted work."²⁵³ Neither of those purported rights has any basis in copyright law.²⁵⁴ In fact, a viewer's use of a third-party cable box rather than one provided by the local cable franchise does not implicate any of the exclusive rights granted

250. See Press Release, U.S. Copyright Office, U.S. Copyright Office Announces New Division: The Copyright Modernization Office (Mar. 30, 2018), <https://www.copyright.gov/newsnet/2018/711.html> [<https://perma.cc/J36D-LV9G>].

251. See Tom Wheeler, Chairman, Fed. Comm'n's Comm'n, Statement: FCC Proposes to "Unlock the Box" (Feb. 18, 2016), <https://www.fcc.gov/document/fcc-proposes-unlock-box/wheeler-statement> [<https://perma.cc/D4KN-UQF7>].

252. See *id.*

253. Letter from Maria Pallante, Register of Copyrights, to Reps. Blackburn, Butterfield, Collins, and Deutch 7 (Aug. 3, 2016).

254. See 17 U.S.C. § 106 (2012).

to copyright holders.²⁵⁵ Had the Office taken the public interest into account, it may have offered a more sound analysis. Instead, its view was apparently shaped by months of private phone calls and meetings with the Motion Picture Association of America, Viacom, and Comcast.²⁵⁶

Even when the Office does hear from the public, structural biases tend to favor the perspective of rights holders. In an interview with the American Bar Association, former Register Pallante revealed her fundamental misunderstanding of our copyright system and the Office's role within it. As she put it, "Copyright is for the author first and the nation second."²⁵⁷ While it would be a mistake to attribute this constitutionally flawed view to the Office as a whole, it is suggestive of the Office's long-recognized tendency to prioritize the interests of copyright holders over those of the public.²⁵⁸

In some ways, this tendency is understandable. The Office regularly interacts with copyright holders in its day-to-day operations, and rights holders and their various trade associations and industry groups are regular, repeat participants in every policy process the Office undertakes. Moreover, it is not uncommon for Office personnel to represent those same interests before and after their government service, reinforcing the ties between the Office and industry.²⁵⁹ More broadly, copyright policymaking faces familiar challenges when it comes to fully accounting for the public interest. While rights holders are a concentrated, organized, and sophisticated constituency, the public interest is diffuse, largely unorganized, and poorly resourced.²⁶⁰ Although recent years have seen certain technology firms serve as an effective counterbalance to the copyright industries, those firms are often, at best, an imperfect proxy for the interests of consumers.

To account for its biases and better reflect the interests of consumers, the

255. See Letter from Copyright Professors to Marlene Dortch, Sec'y, Fed. Comm'n's Comm'n (Sept. 22, 2016).

256. Ernesto Falcon, *Newly-Released Documents Show Hollywood Influenced the Copyright Office's Comments on Set-Top Boxes*, ELEC. FRONTIER FOUND. (Oct. 25, 2016), <https://www.eff.org/deeplinks/2016/10/newly-released-documents-show-hollywood-influenced-copyright-offices-comments-set> [<https://perma.cc/T8H6-MWYJ>].

257. Mike Masnick, *How Can You Be Register Of Copyrights If You Don't Even Understand Copyright's Most Basic Purpose?*, TECHDIRT (April 5, 2012), <https://www.techdirt.com/articles/20120330/09445718303/how-can-you-be-register-copyrights-if-you-dont-even-understand-copyrights-most-basic-purpose.shtml> [<https://perma.cc/C4B3-WGFC>].

258. JESSICA LITMAN, DIGITAL COPYRIGHT 74 (2001) ("Unfortunately, the Copyright Office has tended to view copyright owners as its real constituency."); Liu, *supra* note 74, at 158 ("One common critique of the Copyright Office has been the extent to which it has largely backed the interests of copyright holders over the interests of consumers more generally.");

259. See ROSE, CLOUGH & PANJWANI, *supra* note 58, at 5–6.

260. See Jessica Litman, *The Exclusive Right to Read*, 13 CARDOZO ARTS & ENT. L.J. 29, 33 (1994).

Office should consider establishing a public advocate. State and federal agencies ranging from the FDA,²⁶¹ public utilities commissions,²⁶² and insurance regulators²⁶³ have recognized that the public interest requires not only access to regulatory processes, but a concerted effort to level a playing field that, for a variety of structural reasons, tends to favor industry. A copyright public advocate would consider the impact of proposed regulations and policy positions on consumers, proactively defending the public interest as part of the Office's internal deliberative process and counterbalancing the persistent influence of industry. Such an advocate would not eliminate the need for broad participation in rulemaking and policy studies, but could help ensure that the Office gives due consideration to the impact of copyright law on the public. Further, it would lend the Office additional credibility and legitimacy.

VI. CONCLUSION

The expertise of the Office has failed to keep pace with its expanded role in our copyright system. When it comes to a number of pressing questions of law and policy, the Office lacks the technological and economic expertise necessary to justify congressional delegations of authority and judicial deference. But the responsibility for that mismatch falls squarely on the shoulders of Congress. Rather than bear the burden of taming the monster it created in § 1201, Congress foisted that job on the Office. To address these concerns, the Office should focus its efforts on its primary registration-related responsibilities for the time being. But given its statutory duties and the chorus calling for even greater responsibility—some of which come from within the Office itself²⁶⁴—the Office should also begin to build out its expertise, and Congress should provide it with the resources to do so.

261. See *About the FDA Patient Representative Program*, U.S. FOOD & DRUG ADMIN., <https://www.fda.gov/ForPatients/About/ucm412709.htm> [<https://perma.cc/K7BC-JYYK>] (last visited Nov. 21, 2018).

262. CAL. PUB. UTIL. CODE § 309.5(a) (Deering 2018), (creating an “independent Office of Ratepayer Advocates to represent and advocate on behalf of the interests of public utility customers and subscribers”); see also OFFICE OF THE OHIO CONSUMERS’ COUNSEL, <http://www.occ.ohio.gov/message.shtml> [<https://perma.cc/VRQ3-RUEZ>].

263. See, e.g., *The Office of the Consumer Advocate Division*, W. VA. OFFS. OF THE INS. COMMISSIONER, <http://www.wvinsurance.gov/Divisions/Consumer-Advocate> [<https://perma.cc/7V25-VYNY>] (“The Consumer Advocate is mandated to advocate for, and protect, the interest of the West Virginia consumers.”).

264. See U.S. COPYRIGHT OFFICE, *COPYRIGHT SMALL CLAIMS: A REPORT OF THE REGISTER OF COPYRIGHTS* (2013), <https://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf> [<https://perma.cc/BJ7P-FVU7>].

THE NON-DOCTRINE OF REDUNDANCY

Saurabh Vishnubhakat[†]

ABSTRACT

This Article explores and evaluates a controversial practice that the Patent Office undertook beginning early in the post-AIA regime: the practice of denying otherwise meritorious requests for review because of what the Office termed “redundant” grounds. The controversy over redundancy-based rejections had several sources. One was that making such rejections required the Patent Office to decide petitions piecemeal—and, indeed, the agency claimed that power for itself—even though it was not clear that this power lay within the statute. Another source was that the Patent Office persistently declined to explain what, in the agency's view, did or did not constitute redundancy. Still another was that the Patent Office resisted Federal Circuit oversight of this practice by claiming unreviewable discretion as part of a larger campaign of self-immunization. This confluence of problematic agency choices has generated other, related controversies with AIA review as well, with a mixed record of success for the Patent Office. Yet while redundancy-based rejection now seems to be ebbing as a matter of agency policy, the underlying structural conditions that gave rise to the practice still persist and repay closer analytical and doctrinal scrutiny. This Article offers that scrutiny and discusses ways forward for AIA review.

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I. THE PROBLEM OF REDUDANCY REVIEW

The petitions for review that the Patent Office receives under the America Invents Act (AIA) all share a common goal: to reevaluate the validity of patents that the agency previously issued. These proceedings include inter partes review, covered business method review, and post-grant review. The AIA mechanisms for reviewing patent validity are the latest in a broader administrative error correction regime that dates back to 1980. This Article explores and evaluates a controversial practice that the Patent Office undertook beginning early in the post-AIA regime: the practice of denying otherwise meritorious requests for review on what the Office termed “redundant” grounds.

The controversy over redundancy-based rejections had several sources. One was that making such rejections required the Patent Office to decide petitions piecemeal—and, indeed, the agency claimed that power for itself—

even though it was not clear that this power lay within the statute. Another source was that the Patent Office persistently declined to explain what, in the agency's view, did or did not constitute redundancy. Still another source was that the Patent Office resisted Federal Circuit oversight of this practice by claiming unreviewable discretion as part of a larger campaign of self-immunization. This confluence of problematic agency choices has generated other, related controversies with AIA review as well, with a mixed record of success for the Patent Office. Yet while redundancy-based rejection now seems to be ebbing as a matter of agency policy, the underlying structural conditions that gave rise to the practice still persist and repay closer analytical and doctrinal scrutiny. This Article offers that scrutiny and discusses ways forward for AIA review.

A. THE NEED FOR PATENT VALIDITY REVIEW

The need for correcting the errors of patent examination has been well documented in the literature. Applicants who submit their inventions for review in the Patent Office enjoy a statutory presumption of patentability, and it is the patent examiner who bears the burden of establishing that a patent should not issue.¹ Compounding this procedural asymmetry, patent examination itself is conducted in *ex parte* fashion between the examiner and the applicant, with little third-party involvement or adversarial vetting of the merits of the application.² In the *ex parte* setting, patent applicants possess the greatest amount of information pertaining to what they have actually invented and how best to practice the invention, and are otherwise in the best position to obtain such information efficiently.³ Examiners, by contrast, face significant

1. 35 U.S.C. § 101 (2012) (providing that anyone who invents something that fits into one of the broadly defined categories of eligible subject matter generally “may obtain a patent therefor” so long as certain requirements are satisfied); § 102 (providing that “[a] person *shall be entitled* to a patent *unless* . . .” (emphasis added)). For a detailed discussion, and normative critique, of this preference in favor of patent applicants, see generally Sean B. Seymore, *The Presumption of Patentability*, 97 MINN. L. REV. 990 (2013).

2. Historically, there was no third-party involvement or even third-party knowledge of patent examination, as such proceedings were confidential. It was only after the 1999 American Inventors Protection Act that patent applications became subject to publication, 18 months after filing, for the benefit of the public. Pub. L. No. 106-113, Subtitle E (1999). More recently, the Patent Office has conducted a series of pilot programs through its Peer-to-Patent initiative through which examiners accept public input bearing on the patentability of pending applications. See generally PEER TO PATENT, www.peertopatent.org/ [<https://perma.cc/AC2U-E9AR>] (last visited Nov. 13, 2018).

3. R. Polk Wagner, *Reconsidering Estoppel: Patent Administration and the Failure of Festo*, 151 U. PA. L. REV. 159, 213–14 (2002). Professor Wagner likens the asymmetry of information in patent examination to the economics of bargaining under incomplete information. The most important implication of this phenomenon is that it allows strategic behavior by the participant who is most well-informed—here, the patent applicant—and that this strategic behavior is

time and resource constraints in their task of fully characterizing the existing state of technical knowledge and evaluating the invention at hand against that body of knowledge to determine whether it is, indeed, patentable.⁴ Finally, patents readily enter the world once they issue, but denied applications are appealable to the administrative tribunal of the Patent Office and thereafter to the federal courts. As a result, even if the likelihoods of improper patent grants and improper patent denials were theoretically equal,⁵ the availability of appeal for denials would limit the risk of false negatives while the risk of false positives would remain.⁶ As it is, a patent's future value as a legal right is inherently unforeseeable. So is an invention's future value as a technologically and economically meaningful innovation. Taken together with those unforeseeabilities, these asymmetries in patent examination make it all but certain that patents that should not have issued, perhaps a great many, will issue.

The ex post private and social costs of these ex ante examination errors can be considerable. Patents confer broad property rights to exclude others from the full range of economic activities associated with commercializing an invention: making, selling, offering for sale, using, and importing are all prohibited without the permission of the patent owner,⁷ as is inducing another to perform one of these activities⁸ or contributing to another's performance of one of these activities.⁹ Where no meaningful economic substitutes exist in the market for a patented invention, therefore, a patent owner enjoys

often privately beneficial but socially costly. *Id.* at 214–16.

4. A considerable literature, empirical as well as theoretical, is now emerging on resource constraints in patent examination. *See, e.g.*, Michael D. Frakes & Melissa F. Wasserman, *Is the Time Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents?: Evidence from Micro-Level Application Data*, 98 REV. ECON. & STAT. (forthcoming), www.ssrn.com/abstract=2467262 [<https://perma.cc/WC24-H5EX>]; Michael D. Frakes & Melissa F. Wasserman, *Does the U.S. Patent and Trademark Office Grant Too Many Bad Patents?: Evidence from a Quasi-Experiment*, 67 STAN. L. REV. 613 (2015); Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U.L. REV. 1495 (2001).

5. These likelihoods are, of course, not likely to be equal given the other asymmetries already discussed, including the presumption of patentability, the information advantage of patent applicants, and the resource constraints of patent examiners. *See supra* notes 1–4 and accompanying text.

6. *See* Melissa F. Wasserman, *The PTO's Asymmetric Incentives: Pressure to Expand Substantive Patent Law*, 72 OHIO ST. L.J. 379 (2011); Jonathan S. Masur, *Patent Inflation*, 121 YALE L.J. 470 (2011); Arti K. Rai, *Who's Afraid of the Federal Circuit?*, 121 YALE L.J. F. 335 (2011) (replying to Masur); Lisa Larrimore Ouellette, *What Are the Sources of Patent Inflation? An Analysis of Federal Circuit Patentability Rulings*, 121 YALE L.J. F. 347 (2011) (replying to Masur); Jonathan S. Masur, *Inflation Indicators*, 121 YALE L.J. F. 375 (2012) (surreplying to Rai and Ouellette).

7. *See* 35 U.S.C. § 271(a) (2012).

8. *See* 35 U.S.C. § 271(b).

9. *See* 35 U.S.C. § 271(c).

considerable market power and can set supracompetitive prices accordingly.¹⁰ Indeed, this static inefficiency in the market is the very thing that the patent system offers to the patent owner as a limited reward for investing ex ante in the often costly production of socially valuable technical knowledge that is embodied in the invention.¹¹ Patents granted in error, however, can generate the short-term static inefficiency costs associated with market power without the attendant long-term dynamic efficiency benefits of true innovation.¹² These effects accrue to the private benefit of the owner of the invalid patent both at the private expense of competitors¹³ and at the social expense of deadweight loss to consumers in the form of higher prices and fewer choices.¹⁴

B. THE ARC OF PATENT VALIDITY REVIEW

Appreciating the risk of these private and social costs, Congress since 1980 has enacted a series of reforms aimed not only at reducing the ex ante likelihood that patents will issue in error but also at mitigating the ex post harms of patents that did issue in error.¹⁵ The 1980 Bayh-Dole Act made issued

10. See Alan L. Durham, *Natural Laws and Inevitable Infringement*, 93 MINN. L. REV. 933, 989 (2009). Cf. Einer Elhauge, *Defining Better Monopolization Standards*, 56 STAN. L. REV. 253, 296 n.128 (2003) (noting that “there are [reasons other than duplicability] why monopoly power might be lacking even if duplication were impossible, such as when other sorts of property confer similar advantages that prevent an owner of the nonduplicable property from raising prices above cost. For example, while patents cannot be duplicated, sometimes they lack market power because other patents provide substitutes for accomplishing the same functional goal”). The courts have recognized this economic fact as well. See, e.g., *Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 44–46 (2006).

11. This is, in essence, the widely understood incentive theory of patent protection. See, e.g., Arti Kaur Rai, *Regulating Scientific Research: Intellectual Property Rights and the Norms of Science*, 94 NW. U. L. REV. 77, 116–17 (1999); FREDERIC M. SCHERER, *INDUSTRIAL MARKET STRUCTURE AND ECONOMIC PERFORMANCE* 440 (2d ed. 1980).

12. See Michael Abramowicz, *Perfecting Patent Prizes*, 56 VAND. L. REV. 115, 129 (2003); Michael A. Carrier, *Unraveling the Patent-Antitrust Paradox*, 150 U. PA. L. REV. 761, 770 (2002).

13. See Lemley, *supra* note 4, at 1516; Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 592 (1999); Donald F. Turner, *The Patent System and Competitive Policy*, 44 N.Y.U. L. REV. 450, 455 (1969).

14. See Lemley, *supra* note 4, at 1516; Merges, *supra* note 13, at 593; Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM. L. REV. 839, 866–67 (1990).

15. Reforms aimed at improving the quality of examination itself have included 18-month publication and third-party input into examination proceedings, as previously noted. See *supra* note 2. They have also included structural changes such as making the Patent Office a fee-funded agency rather than one that relies on legislative appropriations for its budget, thereby enlarging the agency’s resources and capacities. Omnibus Budget Reconciliation Act, Pub. L. No. 101-508, 104 Stat. 1388 (1990). More recent research, however, has questioned whether the reliance of the Patent Office on fees obtained from its applicants may influence the agency’s incentives to grant patents based not solely on substantive merit but on

patents subject to administrative reevaluation by the same agency that issued them.¹⁶ Through reexamination, third parties could petition the Patent Office to consider new evidence and reconsider old evidence of patentability and determine whether the patent in question was, indeed, properly issued. As originally constituted, however, patent reexamination was conducted *ex parte* just as initial examination was. Thus, when the Patent Office did find a reexamination request worthy of review, the proceeding left the control of the third-party requestor and was, once again, limited to a dialogue between a self-interested patent owner and a Patent Office examiner.¹⁷ In short, although *ex parte* reexamination has certainly reflected error correction up to a point, the incentives and abilities of patent owners in such cases have been to clarify and strengthen their own patents rather than to invalidate them altogether, even where invalidation may have been the socially optimal outcome.¹⁸

In response to public dissatisfaction with the *ex parte* limitations of reexamination, Congress in 1999 introduced adversarial reexamination by which third parties did not merely initiate Patent Office review of the validity of issued patents, but actively prosecuted the review through its conclusion.¹⁹ The availability of this *inter partes* reexamination was of particular and immediate interest to defendants in patent litigation, who had already been accused of infringing the patent, as their adversarial interests in vigorously challenging the validity of the relevant patents were well defined. From the implementation of *inter partes* reexamination in 2001 through its abolition and replacement by the implementation of the AIA in 2013, requests for the proceeding increasingly and predominantly originated as a defensive response to infringement litigation. In all, some 62.9% of all *inter partes* reexamination requests were associated with infringement litigation.²⁰

maximizing revenue. *See, e.g.*, Michael D. Frakes & Melissa F. Wasserman, *Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO's Granting Patterns*, 66 VAND. L. REV. 67 (2013).

16. *See* Patent and Trademark Law Amendments Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980).

17. *See* Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 HARV. J.L. & TECH. 1, 6 (1997); *see generally* Shannon M. Casey, *The Patent Reexamination Reform Act of 1994: A New Era of Third Party Participation*, 2 J. INTEL. PROP. L. 559 (1995).

18. *See* Saurabh Vishnubhakat, *The Youngest Patent Validity Proceeding: Evaluating Post-Grant Review*, 24 TEX. INTEL. PROP. L.J. 333, 345–46 (2016).

19. *See* Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, Title IV, Subtitle F (1999).

20. Data on *inter partes* reexamination and known related litigation is from the Patent Office Performance and Accountability Reports. *See* U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORTS, <https://www.uspto.gov/about-us/performance-and-planning/uspto-annual-reports/> [https://perma.cc/3TYX-ACA7].

Nevertheless, though the inter partes reexamination requests that the Patent Office did receive came primarily from litigation defendants, such requests were not widely adopted as a general matter. The Patent Office received only about 2,000 requests for inter partes reexamination throughout the existence of the proceeding,²¹ as compared with some 6,700 requests for ex parte reexamination during the same period.²²

Usage of reexamination was shaped by interrelated factors that form the conventionally recited case for administrative adjudication: the need for expertise, the desire to avoid cost and delay, and the importance of broad access.²³ Both ex parte and inter partes reexamination reflected these instrumental goals, but not strongly enough.²⁴ By the time that a consensus had emerged around the validity review mechanisms in the AIA, the depth and detail of these administrative review proceedings were far closer to full-blown trials than to a mere repetition of Patent Office examination.²⁵ Indeed, the ability of the new proceedings to serve as substitutes for court litigation was a conscious choice and oft-cited feature of the AIA.²⁶

C. THE STRUCTURE OF PTAB REVIEW

In apparent vindication of this push for more trial-like administrative adjudication, usage of the AIA validity review mechanisms soon dwarfed that of the old reexamination procedures. The proceeding that the public has used most extensively so far is inter partes review. Since the proceeding became available in September 2012, challengers have filed more than 4,000 petitions for inter partes review.²⁷ That is, there have already been nearly a third as many petitions for inter partes review in just four years as there have been petitions for ex parte reexamination over the last 35 years.²⁸ Meanwhile, interest in

21. See *Reexamination Information*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/learning-and-resources/statistics/reexamination-information> [<https://perma.cc/A34X-44CU>] (last visited Nov. 18, 2018).

22. *Id.*

23. See Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 51–55 (2016) (discussing the traditional rationales for administrative adjudication of patent validity).

24. Some ready evidence of this insufficiency is simply the lack of usage of either form of reexamination as of 2011. See Vishnubhakat et al., *supra* note 23, at 55–58.

25. See John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 DUKE L.J. 1657, 1666 (2016).

26. See Vishnubhakat et al., *supra* note 23, at 58–64 (showing that AIA patent validity review was intended—and does, in practice, largely operate—as a substitute for litigation in the Article III courts).

27. Petition data is from the Docket Navigator service. See DOCKET NAVIGATOR, www.docketnavigator.com [<https://perma.cc/E7NL-T5DV>].

28. See *Reexamination Information*, *supra* note 21.

covered business method review since September 2012, was on the order of 400 petitions.²⁹ Finally, post-grant review was on the order of about 20 petitions.³⁰ The nature, causes, and implications of these differences in usage—as well as the particular scope of review and policy benefits that each of the proceedings offers—are the subject of ongoing empirical research.³¹

The 2011 law created three major administrative proceedings: inter partes review, covered business method review, and post-grant review. Each varies in its scope for correcting the errors of patent examination, but each also has much in common with the others. Importantly, all three are susceptible to redundancy-based decision making. Although all three review proceedings are intended to correct false-positive results in patent examination, each proceeding offers a different set of error-corrections with respect to the types of patents that may be challenged and the types of legal arguments and factual evidence that may be considered. The Patent Office summarizes these differences in a helpful chart.³²

Inter partes review is available for all patents, whether issued from applications under the AIA's "first inventor to file" system of examination or issued under the pre-AIA "first to invent" system of examination.³³ A patent may be challenged only on two legal grounds: that the patented invention was anticipated by a previous invention and thus failed the novelty requirement,³⁴ or the patented invention was obvious.³⁵ Other substantive requirements for patentability, such as adequately disclosing the invention, are unavailable in inter partes review.³⁶ Similarly, only certain "prior art" evidence about previous inventions that purport to show anticipation or obviousness is permitted: generally, issued patents and printed publications.³⁷ Other evidence, such as prior offers for sale or public uses—though these would be disqualifying in patent examination³⁸—are not permitted in inter partes review.³⁹

Covered business method review is also available regardless whether the

29. *Id.*

30. *Id.*

31. *See generally* Vishnubhakat et al., *supra* note 23.

32. U.S. PATENT & TRADEMARK OFFICE, MAJOR DIFFERENCES BETWEEN IPR, PGR, AND CBM, https://www.uspto.gov/sites/default/files/ip/boards/bpai/aia_trial_comparison_chart.pptx [<https://perma.cc/N5PU-9WHG>].

33. Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29 § 6(c)(2)(A) (2011), 125 Stat. 284 (2011) (codified at 35 U.S.C.).

34. *See* 35 U.S.C. § 102 (2012).

35. *See* 35 U.S.C. § 103.

36. *See* 35 U.S.C. § 311(b).

37. *See id.*

38. *See* 35 U.S.C. § 102(a).

39. *See* 35 U.S.C. § 311(b).

patent issued from pre-AIA or post-AIA examination.⁴⁰ However, review is available only for patents that claim a defined category of business methods.⁴¹ Any legal ground that is otherwise available as an invalidity defense in court is available in covered business method review.⁴² Correspondingly, evidence of prior invention is also broadly available so long as it is the type of prior art that was to be considered when the patent was first examined.⁴³

Post-grant review follows a mix of these parameters. As with *inter partes* review, patents from all fields are reviewable. As with covered business method review, legal grounds for challenge are broadly available and prior art is broadly permitted.⁴⁴ However, only patents that issued under the post-AIA “first inventor to file” regime are subject to post-grant review.⁴⁵

What these different proceedings share are four important procedural features that are relevant to the agency’s practice of adjudicating petitions on redundancy-related grounds. First, all three forms of review originate as trial-type adversarial proceedings before the Patent Trial and Appeal Board. This alone is a major difference from reexamination, which was conducted first before an examiner and then was appealed, as needed, to the Board of Patent Appeals and Interferences. The AIA patent validity reviews are conducted by scientifically and legally expert administrative patent judges in the first instance, and the resulting substantive judgments are appealable directly to the Federal Circuit. As a result, all three proceedings answer to the same appellate court, one that has a complex administrative-law relationship with the agency that it oversees.

Second, all three proceedings begin not as a matter of right but through petitions for review that must specify the patent claims whose validity is in question, the patentability grounds on which each challenge rests, and supporting evidence.⁴⁶ The agency has authority to proceed with the review sought in a given case based on the merits of a given petition. The agency may

40. *See* 35 U.S.C. 321(c); AIA § 18(a)(1)(A) (2011).

41. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(d)(1) (2011) (defining such a patent as one “that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions”).

42. *See* 35 U.S.C. § 321(b) (referring to defenses in 35 U.S.C. §§ 282(b)(2)–(3)).

43. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(a)(1)(C) (2011).

44. *See* 35 U.S.C. § 321(b).

45. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 6(f)(2)(A) (2011).

46. *See* 35 U.S.C. §§ 312(a), 322(a). The procedural requirements for a covered business method are the same as those for a post-grant review, including available grounds for challenge, permissible evidence, the pleading standard for the petition, and the processes by which the pre- and post-institution phases are conducted. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(a)(1) (2011).

institute an inter partes review only if “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”⁴⁷ Similarly, the agency may institute a covered business method review or post-grant review either if “it is more likely than not that at least one of the claims challenged in the petition is unpatentable”⁴⁸ or if “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”⁴⁹ In all cases, however, the agency’s threshold institution decision is “final and nonappealable,” regardless whether the decision is to institute review or to deny it.⁵⁰ These nonappealability provisions are a source of considerable controversy, including a case that the Supreme Court recently decided.⁵¹

Third, all three proceedings are subject to partial institution, a practice born of Patent Office regulation with no express statutory mandate. The two outcomes that the AIA contemplates for any petition seeking inter partes, covered business method, or post-grant review are that the petition be instituted or that the petition be denied.⁵² The regulations that implement the statute, however, go further and provide that the agency may “authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.”⁵³ Conversely, the regulations also provide that the agency may “deny some or all grounds for unpatentability for some or all of the challenged claims.”⁵⁴ For all three types of petitions, the denial by the agency of a particular ground for challenge is deemed a “decision not to institute” the petition on that ground.⁵⁵ The effect of this declared equivalence—between the denial of a ground and the denial of a petition as to that ground—is to invoke the nonappealability provisions of the organic statute that renders a decision “whether to institute” insulated from judicial review.⁵⁶ The assumption of authority by the Patent Office to make partial institutions is a source of further controversy and represents an additional and necessary doctrinal step toward adjudicating petitions based on whether grounds within a given petition are redundant to each other.

47. 35 U.S.C. § 314(a).

48. 35 U.S.C. § 324(a).

49. 35 U.S.C. § 324(b).

50. 35 U.S.C. §§ 314(d), 324(e).

51. *See generally* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

52. *See* 35 U.S.C. §§ 314(a), 324(a).

53. 37 C.F.R. § 42.108(a) (2018) (providing for partial institution in inter partes review); 37 C.F.R. § 42.208(a) (providing for partial institution in post-grant review); *see* 37 C.F.R. § 42.300(a) (providing that the procedures governing partial institution in post-grant review apply as well to covered business method review).

54. 37 C.F.R. §§ 42.108(b), 42.208(b).

55. 37 C.F.R. §§ 42.108(b), 42.208(b).

56. 35 U.S.C. §§ 314(d), 324(e).

Fourth, all three proceedings trigger robust forms of estoppel against petitioners both with respect to future administrative proceedings within the Patent Office and with respect to litigation in other fora. For any inter partes review that results in a final written decision regarding the validity of a particular patent claim, the party that sought the review is estopped to challenge the validity of that patent claim again.⁵⁷ Estoppel applies equally to challenges in Patent Office review proceedings and to civil actions in the federal courts and in International Trade Commission proceedings.⁵⁸ It also applies equally to grounds for challenge that the petitioner actually raised and to grounds that the petitioner reasonably could have raised during the inter partes review.⁵⁹ An exactly analogous estoppel provision governs post-grant reviews as well.⁶⁰ Covered business method reviews, meanwhile, do trigger estoppel both as to grounds that the petitioner actually raised and grounds that the petitioner reasonably could have raised, but only in future administrative proceedings in the Patent Office, not in future civil actions in the federal courts or in International Trade Commission proceedings.⁶¹ In light of this robust framework of estoppel for all three review proceedings, the specter of petitioners being forever barred from vindicating their substantive arguments in the future—while also being denied the chance to present some of their substantive arguments to the Patent Office in the present—is foremost among the harms from the Patent Office practice of adjudicating petitions based on redundancy.

These procedural similarities among inter partes review, covered business method review, and post-grant review are significant because they evince an intent by Congress that procedural interpretations regarding one type of proceeding will likely resolve the issue in the same way for all three.⁶² Indeed, the Patent Office practice of adjudicating petitions based on whether some grounds are redundant to others originated in a covered business method review decision⁶³ and was quickly adopted into inter partes review decisions as

57. See 35 U.S.C. § 315(e).

58. See 35 U.S.C. §§ 315(e)(1), 315(e)(2).

59. See 35 U.S.C. §§ 315(e)(1), 315(e)(2).

60. See 35 U.S.C. § 325(e).

61. See Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(a)(1)(A) (2011) (exempting covered business method review from the effect of 35 U.S.C. § 325(e)(2)).

62. See generally NORMAN J. SINGER & J.D. SHAMBIE SINGER, 2B SUTHERLAND STATUTORY CONSTRUCTION § 51:2 (7th ed.) (explaining that where “previous statutes relating to the same subject” are in force, “the new provision is presumed to accord with the legislative policy embodied in those prior statutes”); see also *id.* at § 51:3 (explaining that statutes that are in *pari materia*, i.e., that have the same purpose as to the same subject matter as each other, ought to be interpreted in light of one another).

63. See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, No. 2012-00003, 2012 WL 9494791 (P.T.A.B. October 25, 2012).

well.⁶⁴ Likewise, currently pending disputes over the scope of the nonappealability statute in inter partes review are widely expected to set broad precedents for covered business method and post-grant review as well,⁶⁵ for an identical provision governs the latter proceedings as well.⁶⁶ Accordingly, the nature of redundancy-based decision making by the Patent Office, its consequences, and ultimately its defensibility as a doctrine apply across all three types of patent validity review proceedings.

D. THE REJECTION OF REDUNDANT GROUNDS

The Patent Trial and Appeal Board (PTAB) has used the talisman of redundancy to choose between *legal grounds* for invalidity as well as to choose between *factual predicates* for invalidity arguments, such as prior art references. Although choosing between duplicative factual evidence is potentially more defensible than choosing between legal grounds, neither is authorized by statute in quite the way that the agency has done.

Redundancy of legal arguments is, to some extent, inherent in the legal requirements for patentability.⁶⁷ Patent law requires broadly that the invention must reflect patent-eligible subject matter.⁶⁸ Beyond this, the invention must satisfy two sets of substantive criteria: innovation-related requirements and disclosure-related requirements.⁶⁹ To ensure innovation, an invention must be

64. See *Ranbaxy Lab., Ltd. v. Vertex Pharm., Inc.*, No. 2013-00024, 2013 WL 8595397 (P.T.A.B. November 15, 2013).

65. See *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307 (Fed. Cir. 2015) (applying the previously confirmed nonappealability of agency decisions on inter partes review petitions to confirm the nonappealability of agency decisions on covered business method review petitions based on the identity of the provisions); Michael Rosato & Richard Torczon, *A Divided Federal Circuit Confirms Broadest Reasonable Interpretation for Claims in Inter Partes Review on Rehearing*, WSGR ALERT (July 8, 2015), <https://www.wsgr.com/WSGR/Display.aspx?SectionName=publications/PDFSearch/wsgralert-cuozzo-0715.htm> [https://perma.cc/U7NQ-8F33] (observing that the Federal Circuit's reasoning in finding inter partes petition decisions nonappealable "was broadly applicable to the other PTAB post-grant trials"); Fabian M. Koenigbauer & Steven J. Schwarz, *In re Cuozzo: The Federal Circuit Affirms the PTAB's Finding of Unpatentability*, VENABLE LLP (Mar. 17, 2015) www.venable.com/in-re-cuozzo-the-federal-circuit-affirms-the-ptabs-finding-of-unpatentability-03-17-2015/ [https://perma.cc/AYR8-YPJP] (predicting that the nonappealability of inter partes petition decisions would likely apply to the other AIA proceedings "because of similarities in the statutory language and rules").

66. Cf. 35 U.S.C. §§ 314(d), 324(e) (2012).

67. See generally John M. Golden, *Redundancy: When Law Repeats Itself*, 94 TEX. L. REV. 629, 673–99 (2016) (discussing doctrinal redundancy in patent law).

68. See 35 U.S.C. § 101.

69. See Saurabh Vishnubhakat, *The Antitrust of Patentability*, 48 SETON HALL L. REV. 71, 88–93 (2017) (explaining the innovation- and disclosure-related requirements of patentability).

useful,⁷⁰ new,⁷¹ and nonobvious.⁷² To ensure disclosure, the patent specification must enable a reader to make and use the invention,⁷³ must describe the invention well enough to show that the inventor actually possessed the invention as claimed,⁷⁴ and must claim the invention precisely enough that the boundaries of the legal right are definite.⁷⁵ All of these requirements are evaluated from the standpoint of the fictive person having ordinary skill in the relevant art.⁷⁶ This fictive person, in turn, is presumed to be familiar with the state of relevant knowledge and prior art in that technology.⁷⁷

Thus, one may easily imagine, for example, analytical overlap between innovation-related requirements such as novelty and nonobviousness. Both compare the invention at hand to the preexisting body of technical knowledge and ask whether the invention is sufficiently different from what came before. Novelty may be the easier hurdle to clear because all of the invention's essential features must be present in a single prior reference to defeat novelty.⁷⁸ By contrast, a challenger may rely on a combination of prior art references to show that an invention—though new—would have been obvious.⁷⁹ Nevertheless, because an invention is patentable only if it satisfies every requirement, prevailing on any single ground for challenge is enough for invalidation. In that sense, a petition for review that challenges novelty and nonobviousness makes redundant arguments. One might proceed with novelty and ignore nonobviousness, or vice-versa, and reach the same bottom-line outcome of invalidity.

Meanwhile, it may seem less inherently problematic to dismiss as redundant the factual predicates of a case, such as prior art. This is because, where the available evidence points to a determinate conclusion, additional evidence is simply unnecessary and offers diminishing marginal adjudicatory benefits relative to the costs. For example, a petitioner seeking inter partes review may argue that the first claim of a patent is invalid for lack of novelty, and offer three prior art references each of which purportedly anticipates the

70. See 35 U.S.C. § 101.

71. See 35 U.S.C. § 102.

72. See 35 U.S.C. § 103.

73. See 35 U.S.C. § 112(a).

74. *Id.*

75. See 35 U.S.C. § 112(b).

76. See generally Saurabh Vishnubhakat, *The Field of Invention*, 45 HOFSTRA L. REV. 899, 900–01 (2017).

77. See *id.* at 932 (citing *In re Winslow*, 365 F.2d 1017, 1020 (C.C.P.A. 1966) (conjuring an inventor “working in his shop with the prior art references—which he is presumed to know—hanging on the walls around him”).

78. See *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983).

79. See *In re Kahn*, 441 F.3d 977, 986 (Fed. Cir. 2006).

claim. As anticipation must be proven on the basis of a single reference—i.e., every element of the claimed invention must be present in the asserted reference—the PTAB might institute review on novelty grounds based only on one reference, perhaps what it considers the strongest reference. The other novelty-defeating references would not be considered but instead rejected as redundant. As with legal redundancy, such a choice may seem intuitively reasonable, especially as a matter of case management, which the AIA specifically entrusts to the PTAB.⁸⁰

The problem with these intuitions, however, has been their uneasy basis in the statutory text. Perhaps worse is the Patent Office's stance until recently against defending its redundancy-based decision making or even acknowledging its analytical content. A clearly elucidated doctrine of redundancy might well have been within the powers of the PTAB—and if not, the Federal Circuit could have provided correction and oversight from the start. Instead, the agency started from an expansive position of absolute immunity both from judicial review and from an obligation to explain, in a prospective manner by which it could later be held to account, just what it meant by redundancy.

II. THE SOURCE OF THE PROBLEM

As a result, it was predictable—and PTAB petitioners did predict at the time—that rejections for redundancy would introduce new uncertainty into AIA review through the estoppel provisions. If a petitioner failed to include any grounds or arguments in its petition, it would be estopped to raise them in later court or agency proceedings as matter that it “reasonably could have raised.”⁸¹ But if the petitioner did include those grounds and the PTAB rejected them as redundant, then estoppel might attach as matter that the petitioner actually “raised.”⁸² Until estoppel effects could be clarified, their uncertain application based on PTAB actions beyond the petitioner's control presented a chilling effect upon the ability of petitioners to challenge the validity of patents in the very ways that the AIA provides.⁸³

80. See 35 U.S.C. §§ 315(d), 325(d).

81. 35 U.S.C. §§ 315(e), 325(e).

82. 35 U.S.C. §§ 315(e), 325(e).

83. Brief for Petitioner-Appellant, *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016) (Nos. 2015-1116, 2015-1119), 2015 WL 227464, at *65–68 [hereinafter *Shaw Brief*].

A. THE CLAIM TO ABSOLUTE JUDICIAL UNREVIEWABILITY

The clearest expression of the initial Patent Office position on redundancy-based screening of PTAB petitions came in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*⁸⁴ In that case, Shaw sought inter partes review on all twenty-one claims of Automated Creel's U.S. Patent No. 7,806,360.⁸⁵ In support, Shaw advanced fifteen grounds, each a combination of a particular legal basis (§ 102 or § 103), certain prior art, and the particular patent claim to which it applied.⁸⁶ The PTAB granted review, as it often has, piecemeal. Most, but not all, of the challenged patent claims were accepted for review.⁸⁷ Some, but not all, of the asserted grounds were accepted for review.⁸⁸ Specifically, the PTAB rejected the argument that U.S. Patent No. 4,515,328 by inventor Payne anticipated claims 6, 7, 13, 15–18, and 21 of Automated Creel's '360 Patent.⁸⁹ The PTAB found this argument redundant in light of other arguments that these claims were obvious in light of other prior art.⁹⁰ Thus, the conclusion seemed to reflect legal as well as factual redundancy.

But there was no way to be sure. Shaw disputed the PTAB's conclusion that an anticipation challenge under Payne was, in fact, redundant to the obviousness challenges, and also disputed the PTAB's authority to deem grounds redundant at all.⁹¹ Rather than engage with the conclusion of redundancy or explain its reasoning, the Patent Office on appeal proposed that the Federal Circuit lacked jurisdiction even to consider the practice.⁹²

“[I]here is no ‘redundancy doctrine,’” the agency said: such terminology was merely “to explain the notion of streamlining the IPR proceedings for efficiency reasons.”⁹³ The decision whether to institute was unreviewable under 35 U.S.C. § 314(d), which provides that such a decision is “final and nonappealable.”⁹⁴ The agency's brief cited further to the Federal Circuit panel decision in *In re Cuozzok*,⁹⁵ which would later be affirmed by the Supreme

84. 817 F.3d 1293 (Fed. Cir. 2016).

85. *See id.* at 1295–96.

86. *See id.* at 1296.

87. *See id.*

88. *See id.* at 1296–97.

89. *See id.*

90. *See id.*

91. *See id.* at 1298.

92. *See* Brief for Intervenor, *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016) (Nos. 2015-1116, 2015-1119), 2015 WL 1875621, at *18 [hereinafter Brief for Intervenor].

93. *Id.* at *17.

94. *Id.* at *16.

95. 778 F.3d 1271 (Fed. Cir. 2015).

Court.⁹⁶ Importantly, the Patent Office rooted its argument of efficiency and streamlined proceedings in §§ 316(b) and 326(b), which look to “the efficient administration of the Office, and the ability of the Office to timely complete proceedings.”⁹⁷ It did not look to § 325(d), which provides expressly that, “in determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”⁹⁸

This choice is puzzling because § 325(d) seems much more squarely relevant to the concern of duplicative prior art or arguments. The likely answer lies in the agency’s self-conferred power to institute petitions piecemeal, a PTAB practice that dates from the earliest days of AIA review.

Shaw asserts that the Board cannot institute an IPR proceeding on some, but not all, grounds proposed. That is, according to Shaw, the Board must institute a trial on all grounds presented in an IPR petition. In essence, Shaw challenges the Board’s institution decision, which is not reviewable by this Court.⁹⁹ The part of the IPR that is reviewable is the Board’s decision with respect to the “patentability of any patent claim challenged by the petitioner” which is limited to those grounds for which the Board instituted the IPR.¹⁰⁰

Thus, the Patent Office conceptualized its power to reject redundant grounds as simply a specific instance of its power to pick and choose elements of a petition to institute, and connected this partial institution power to the nonappealability statute.

Although the panel majority accepted this view, Judge Reyna issued a strongly worded concurrence expressing grave concerns that the Patent Office’s “claim to unchecked discretionary authority is unprecedented.”¹⁰¹ In his view, the trouble was not necessarily that the agency asserted the power to differentiate between original grounds and redundant ones, but that the agency altogether declined to give “any reasoned basis *why* or *how* the denied grounds are redundant”—indeed, it claimed immunity from being judicially compelled to do so.¹⁰² Importantly, Judge Reyna also questioned the majority’s conclusion that the grounds on which the PTAB had denied institution would simply not be subject to estoppel,¹⁰³ noting instead that the issue of whether estoppel

96. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016).

97. 35 U.S.C. §§ 316(b), 326(b) (2012).

98. 35 U.S.C. § 325(d).

99. 35 U.S.C. § 314(d); *Cuozzo*, 778 F.3d at 1276–77.

100. Shaw Brief, *supra* note 83, at *58–75.

101. *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1303 (Fed. Cir. 2016) (Reyna, J., concurring).

102. *Id.* at 1302.

103. See *id.* at 1299–300.

applies “is not for the Board or the PTO to decide. Nor is it for us [the Federal Circuit] to decide in the first instance”—but rather is for a district court or the ITC to decide.¹⁰⁴

B. INCONSISTENCY WITH THE POWER TO INSTITUTE

This expansive view by the Patent Office of its own authority is questionable for three related statutory reasons. First is that the AIA’s provisions for instituting on a petition establish only necessary conditions for whether review should be granted, not sufficient conditions. Second is that the question of whether review should be had is analytically distinguishable from the extent and scope of that review. Third is that although the PTAB enjoys some insulation from judicial review, that insulation is not—indeed, cannot be—as far-reaching as the Patent Office has suggested.

In general, the Director “*may not* authorize [review] . . . *unless*” the specified criteria are met, namely an adequate likelihood of success on the merits of the petition.¹⁰⁵ In post-grant review, one may establish instead the existence of a “novel or unsettled legal question” instead of a likelihood of success¹⁰⁶—but one of these two must be shown. Because the statute does not enumerate any sufficient conditions, the Patent Office cannot point to the statute as approving its claimed power to police and reject redundant grounds. At most, the statute gives discretion to specify what the sufficient conditions for review ought to be,¹⁰⁷ though the exercise of that discretion, of course, requires reasonableness and reason-giving under conventional administrative law principles.¹⁰⁸

The difficulties continue. The ability to decide “whether to institute . . . review”¹⁰⁹ may be a binary power as it seems on its face to be. Or it may contain

104. *Id.* at 1305 (Reyna, J., concurring).

105. 35 U.S.C. §§ 314(a), 324(a) (2012) (emphasis added).

106. 35 U.S.C. § 324(b).

107. *See* 35 U.S.C. §§ 316(a)(2), 326(a)(2).

108. *See, e.g.*, Cass Sunstein, *Chevron Step Zero*, 92 VA. L. REV. 187, 226–27 (2006) (arguing that the Supreme Court’s approach to judicial deference in the *Christensen*, *Mead*, and *Barnhart* cases “would ensure that agency interpretations would receive *Chevron* deference only if they were a product of procedures that increase the likelihood of reasoned decision-making”); Thomas W. Merrill & Kristin E. Hickman, *Chevron’s Domain*, 89 GEO. L.J. 833, 885 (2001) (explaining that “norms of reasoned decision-making will compel the decisionmaker to provide an explanation for the agency’s resolution of the issue”). To put the point another way, the Patent Office can read the statute as giving it discretion but must then subject itself to judicial review in order to ensure that the agency is adequately satisfying its obligations to explain itself. Alternatively, the Patent Office can argue for absolute immunity from judicial review, but it must then be prepared to limit that extraordinary autonomy only to powers clearly enumerated in the statute. The agency cannot have it both ways.

109. 35 U.S.C. §§ 314(a), 324(a).

within it the lesser power to institute as to some, but not all, portions of a petition as the agency's regulations provide.¹¹⁰ Again, the statute does not unequivocally give the power to make partial institutions, just as it does not unequivocally specify sufficient conditions for deciding whether to institute. Thus, again, the Patent Office cannot point to the statute as approving its practice. At most, the statute by its ambiguity might be read to give discretion for choosing between a binary power over institution or a lesser-included power to make partial institutions.¹¹¹ But exercising this discretion, too, would require reasonableness and reason-giving.

Thus, an unaccountable agency power to reject redundant grounds does not seem viable. The Patent Office's response to this in *Shaw Industries* and other cases has been that although conventions of reason-giving and, indeed, administrative law's broad presumption in favor of reviewability would ordinarily require judicial oversight and agency explanation, the AIA specifically superseded these default rules.¹¹² In *Cuozzo*, the Supreme Court held not only that the PTAB's decision whether to institute was unreviewable but also that other "closely tied" issues such as clarity or adequacy of evidence in the petition are also entrusted to the agency's evaluative discretion, unreviewable by the courts.¹¹³

The problem with applying *Cuozzo* expansively to institution-related decisions is not that it is difficult, but that it is too easy. Because the basic necessary criterion for institution is a likelihood of success on the merits of the case, every aspect of the eventual adjudication has potential overlaps and parallels with the initial institution decision.¹¹⁴ Thus, for example, the Patent Office has argued in the past that the one-year deadline within the filing of an infringement lawsuit, after which a petition for inter partes review cannot be instituted, is not an exogenous statutory constraint on agency power but merely another part of the institution decision—and insulated from review accordingly.¹¹⁵ The agency has argued even that the PTAB obligation to issue final written decisions on the validity of challenged patent claims is constrained

110. 37 C.F.R. § 42.108 (2018).

111. This choice is no longer hypothetical, as the Supreme Court in *SAS Inst., Inc. v. Iancu* has now held that § 314(a) unambiguously forbids partial institution. *See* 138 S. Ct. 1348, 1360 (2018).

112. Brief for Intervenor, *supra* note 92, *32–33; *see also* Brief for Respondent, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016), 2016 WL 1165967, at *49–50.

113. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016).

114. *See generally* Saurabh Vishnubhakat, *The Porous Court-Agency Boundary in Patent Law*, 51 AKRON L. REV. 1069 (2018) (discussing the incremental expansion by the Patent Office of unreviewability under § 314(d) based on analytical overlap between institution and merits adjudication).

115. *See, e.g.,* *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F. 3d 652, 657–58 (Fed. Cir. 2015).

by this discretionary and unreviewable power at the institution stage.¹¹⁶ In other words, taken to its conclusion, the Patent Office view of its insulation from judicial review extends up to and including merits adjudications even though these are plainly reviewable.¹¹⁷

The key downstream implication of the Patent Office's position is a particularly difficult dilemma. If these issues of sufficient conditions to institute, the power to make partial institutions, and the power to self-define adjudicatory obligations are all so related to institution that judicial review is unavailable, then the agency's opaque non-doctrine of redundancy could persist indefinitely with no correction or clarity. The only safety valve that might trigger judicial intervention would be a problem of constitutional magnitude, as the Court noted in *Cuozzo*.¹¹⁸

Indeed, such a constitutional defect is quite possible. An application of estoppel that denied the petitioner both a meaningful opportunity to make arguments in the PTAB, due to a redundancy rejection, and an opportunity to make the arguments later in court or the ITC¹¹⁹ would probably run afoul of due process. However, the canon of constitutional avoidance counsels that the estoppel provision be construed to avoid the due process problem.¹²⁰ In other words, a court adjudicating estoppel in this context would be obliged to tolerate the problem of rejecting redundant grounds rather than face the constitutional implications in a way that could enable judicial review of the underlying problem.

C. WHERE *CHEVRON* BREAKS DOWN

The importance of these points about statutory ambiguity and the agency's broad view of its own discretion is that reasoned decision making is intimately connected to the availability of judicial review. Under the familiar two-step *Chevron* framework, for example, an agency is entitled to deference where it (1) administers an ambiguous statute and (2) adopts an interpretation that is

116. See, e.g., *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F. 3d 1341 (Fed. Cir. 2016). In brief, the argument is that although the obligation to write final written decisions plainly exists and the final written decisions themselves are plainly subject to judicial review, the PTAB can nevertheless narrow the *scope* of those final written decisions through its unreviewable power to institute on some claims and not on others. Thus, what is plainly reviewable may still potentially be at least partly unreviewable.

117. Vishnubhakat, *supra* note 114, at 1079–80.

118. *Cuozzo*, 136 S. Ct. at 2141.

119. See *supra* notes 81–83 and accompanying text.

120. See generally *Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Const. Trades Council*, 485 U.S. 568 (1988) (explaining that “where an otherwise acceptable construction of a statute would raise serious constitutional problems, the Court will construe the statute to avoid such problems”).

reasonable.¹²¹ Similarly, under the familiar *Chenery* doctrine, a court evaluating the propriety of an agency action can rest its evaluation only on reasons that the agency itself has given—not on any justifications that the court itself might think appropriate¹²²—and this presupposes that judicial review is available. The redundancy-based reasoning of the Patent Office would be much less problematic, both practically and theoretically, if ordinary judicial oversight were available to correct it. However, in addition to *Chevron* deference for legal interpretations made during patent validity review, the Patent Office also now enjoys a far rarer prize in administrative law: an express statutory grant of virtually unreviewable discretion on certain issues.¹²³ The result is a framework in which one deference inquiry depends recursively on another, a notable new anomaly of administrative process.

The basic idea of “recursive deference” is as follows. The two-step *Chevron* analysis requires *Chenery* to be satisfied at step two. That is, a court may find an agency action reasonable, and thus worthy of *Chevron* deference, only by evaluating the agency’s own reasoning under *Chenery*. Yet *Chenery* and *Chevron* both presuppose the availability of judicial review, and agency actions are sometimes accorded absolute deference with no judicial review at all. In such cases, eventual *Chevron* deference for an agency action requires a second analysis into the underlying question of absolute deference to the action. The same problem may arise—indeed, does arise—with two interrelated agency actions, one of which receives absolute deference, with no judicial review, and the other within *Chevron*’s ordinary domain. The scope of the unreviewable agency action may be broad enough, or the relation between the two agency actions may be close enough, that the ostensibly reviewable action that is being considered for *Chevron* must be analyzed recursively to determine whether absolute deference attaches or else review is truly available.

It is a new and open question of judicial policy whether recursive deference offers benefits worth the costs. What follows is an analytical account of recursive deference within the broader framework of judicial review of agency action, as well as of the observed effects of recursive deference in patent law. This account begins with three major categories in the administrative law of deference. The first two pertain to cases where courts give agencies absolute deference by abstaining altogether from judicial review. The third pertains to cases where courts review agency action with varying degrees of intensity. These familiar categories not only are a yardstick for patent exceptionalism but also form the analytical raw material for the current state of affairs in the Patent

121. See *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 844–45 (1984).

122. See *SEC v. Chenery Corp.*, 332 U.S. 194, 196 (1947).

123. See 35 U.S.C. § 314(d) (2012); *Cuozzok*, 136 S. Ct. at 2139–42.

Office, where a question of deference on one issue now often turns on a second, recursive question of deference on a different issue.

III. THE PTAB'S PLACE IN JUDICIAL REVIEW OF AGENCY ACTION

It is well to be clear at the outset that the discussion to follow regards unreviewability of agency action as a form of deference—indeed, the most extreme form. This may seem odd, and a more intuitive view might be that deference is possible only if review can be had at all. The reason to consider unreviewability as part of a spectrum of deference is that this is largely what courts have done. The law governing judicial review of agency action, especially what makes agency actions unreviewable, speaks functionally and at times quite pragmatically about issues such as partial unreviewability, engaging in review to decide whether review is proper, and reconciling the Administrative Procedure Act's (APA's) apparent insulation of agency discretion with the APA's command to set aside abuses of agency discretion.

A. ACTIONS UNREVIEWABLE BY STATUTE

The APA provides a baseline of judicial review for agency actions¹²⁴ but defers completely to the agency where a review-preclusion statute applies¹²⁵ or where the action is committed to agency discretion by law.¹²⁶ Statutes that purport to preclude review pose two notable interpretive challenges as to whether they insulate specific agency actions. The interpretive challenge may be in discovering what Congress intended through its legislative act or in determining the level of generality at which the agency's action is to be considered.

As to Congressional intent, statutes are often clear either in affording review or in precluding it, but certain close cases do recur.¹²⁷ These may include legislative silence about judicial review where review would be disruptive¹²⁸ or preclusion of judicial review generally with little to say about unusual fact scenarios.¹²⁹ Close cases may also include the paradoxical situation where Congress specifically affords review and raises the possibility that the enumeration of certain mechanisms implies the exclusion of others.¹³⁰

124. See 5 U.S.C. §§ 701–706 (2012).

125. See 5 U.S.C. § 701(a)(1) (2012).

126. See 5 U.S.C. § 701(a)(2) (2012).

127. Nicholas Bagley, *The Puzzling Presumption of Reviewability*, 127 HARV. L. REV. 1285, 1290 (2014).

128. See, e.g., *Morris v. Gressette*, 432 U.S. 491 (1977).

129. See, e.g., *Johnson v. Robison*, 415 U.S. 361 (1974).

130. See, e.g., *Reno v. Catholic Soc. Servs.*, 509 U.S. 43 (1993). This line of reasoning rests

This last is paradoxical because it can turn a review-granting statute on its head to justify denying review. It is also potentially problematic for Congress because it may require the legislator to specify in detail, even impossible detail, when judicial review is to be available. Moreover, the canon of implied exclusion could easily cut the other way so that courts read review-precluding statutes to say that the enumeration of certain preclusions leaves a great many other agency actions still reviewable.

The current solution to this ambiguity is a substantive presumption in favor of judicial review over agency actions.¹³¹ Since the Supreme Court first articulated the presumption in *Abbott Laboratories v. Gardner*,¹³² a statute that purports to preclude judicial review of agency action may do so only by “clear and convincing” indications that Congress so intended.¹³³ To be clear and convincing, in turn, evidence of intent to preclude review must be “‘fairly discernible’ in the detail of the legislative scheme.”¹³⁴

Moreover, adjacent to the substantive presumption in favor of judicial review is the so-called “common law of preclusion,” a common law that governs the content of preclusion statutes by protecting certain types of agency action against review preclusion more vigorously than others.¹³⁵ For example, constitutionally oriented challenges to agency action are virtually unreachable by statutes to preclude judicial review.¹³⁶ Legal challenges are less stringently protected against unreviewable agency discretion than constitutional ones are, but are still difficult to insulate from review.¹³⁷ Meanwhile, factual challenges receive still less protection and so are most susceptible to preclusion statutes.¹³⁸

The mechanisms by which a statute precludes review may, of course, vary greatly. Beyond the simple case of expressly precluding review of a well-defined agency action, Congress may, for example, insulate agencies by legislating the timing of judicial review. Indeed, the fallout from the *Abbott*

on the interpretive canon of “expressio unius est exclusio alterius,” literally that “to express or include one thing implies the exclusion of the other, or of the alternative.” BLACK’S LAW DICTIONARY (10th ed. 2014).

131. See Bagley, *supra* note 127, at 1286 (recounting cases that refer to the presumption as “strong,” “basic,” and “fundamental”); Daniel B. Rodriguez, *The Presumption of Reviewability: A Study in Canonical Construction and Its Consequences*, 45 VAND. L. REV. 743, 751 (1992) (noting the connection between a presumption of judicial reviewability and the very legitimacy of administrative power).

132. 387 U.S. 136 (1967).

133. *Id.* at 141; *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016).

134. *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 351 (1984).

135. Ronald M. Levin, *Understanding Unreviewability in Administrative Law*, 74 MINN. L. REV. 689, 739–40 (1990).

136. See, e.g., *Webster v. Doe*, 486 U.S. 592, 603 (1988).

137. See, e.g., *Adamo Wrecking Co. v. United States*, 434 U.S. 275, 301 (1978).

138. See, e.g., *Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768, 798 (1985).

decision itself reflected just this approach. Prior to *Abbott*, certain Food and Drug Administration regulations were statutorily subject to pre-enforcement review in the courts, though the regulations at issue in the case were not.¹³⁹ Instead, argued the FDA Commissioner, the regulations at issue were reviewable only in the context of a final order based on the rule.¹⁴⁰ The Court disagreed and allowed pre-enforcement review even of the regulations unenumerated by Congress, explaining that “[t]he right to review is too important to be excluded on such slender and indeterminate evidence of legislative intent” as the canon of implied exclusion.¹⁴¹

Subsequently, however, Congress enacted “a series of agency jurisdictional statutes that turned *Abbott* full circle by limiting judicial review [exclusively] to the pre-enforcement stage.”¹⁴² The upshot of this legislation was to keep the outcome of *Abbott* intact—that is, to allow pre-enforcement review of the sort that the petitioners had sought and the Court had granted—but to reclaim for Congress the power to “control the timing of access to the courts as it had successfully done in pre-*Abbott* days.”¹⁴³

Apart from whether Congress truly intended to preclude review, the other notable interpretive difficulty with preclusion statutes is the level of generality at which to conceptualize the agency action that a court may insulate or scrutinize. Congress may try to legislate with precision what general or particular agency action it wishes to make reviewable or unreviewable. The Court, too, has held that preclusion must not extend beyond the issues Congress intended to insulate.¹⁴⁴ Nevertheless, the presumption of reviewability, in its current form, gives interpreting courts much freedom to frame an agency action broadly or narrowly to further jurisprudential or normative goals. Part of this freedom comes from the open-ended nature of the presumption itself. Whether evidence that is discernible from the legislative scheme is sufficiently clear and convincing has been an elastic enough standard that review has sometimes been precluded even without express statutory text¹⁴⁵ and has sometimes been allowed even in spite of preclusionary statutory text.¹⁴⁶

139. *See Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967).

140. Brief for the Respondents, *Abbott Labs. v. Gardner*, 387 U.S. 136 (1967) (No. 39), 1966 WL 115408, at *42.

141. *Abbott*, 387 U.S. at 141 (citing LOUIS JAFFE, *JUDICIAL CONTROL OF ADMINISTRATIVE ACTION* 357 (1965)).

142. Paul R. Verkuil, *Congressional Limitations on Judicial Review of Rules*, 57 TUL. L. REV. 733, 734 (1983) (emphasis added).

143. *Id.*

144. *See, e.g., McNary v. Haitian Refugee Ctr., Inc.*, 498 U.S. 479, 496 (1991).

145. *See, e.g., Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 207 (1994).

146. *See, e.g., Barlow v. Collins*, 397 U.S. 159, 165–66 (1970).

More fundamentally, however, judicial freedom to frame agency actions broadly or narrowly with an eye toward the normative desirability of judicial review reflects larger concerns about the rule of law and the separation of powers. One may reasonably suppose, for example, that judicial suspicion of arbitrary or unaccountable agency abuses would tend to produce narrow framings of agency action when construing statutes that preclude review and broad framings when construing statutes that afford review. Seeing itself as a guardian of individuals' rights to "claim the protection of the laws,"¹⁴⁷ such a court would be skeptical of an executive that would insulate itself from scrutiny, of a Congress that would broadly delegate the executive the tools to do so, and of the meager power that would remain for "the judicial department to say what the law is."¹⁴⁸

Conversely, one may suppose that judicial confidence in the democratic legitimacy and institutional competence of agencies, especially agencies with relevant technical expertise, would produce the opposite framings.¹⁴⁹ Where statutes purport to preclude review, the insulated agency action would be viewed more broadly; where they afford review, more narrowly. The salience of the level-of-generality problem is that it is independent of the substantive presumption of reviewability. A court obliged to apply a clear and strong presumption may nevertheless be able to expose an agency to review simply by defining the insulated agency action narrowly, and vice-versa.

These two interpretive challenges for preclusion statutes—ascertaining the preclusionary intent of Congress and conceptualizing the agency action in question—matter because administrative law itself views agency action recursively. The APA defines the term "agency action" broadly to include "*the whole or a part* of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act."¹⁵⁰ In other words, an agency's ultimate conclusion on a disputed issue is an agency action; each underlying argument that supports the ultimate conclusion is an agency action; the doctrinal elements of each underlying argument are all agency actions; and so on. This recursive definition has important implications for judicial review of the actions of the Patent Office.

147. *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986) (quoting *Marbury v. Madison*, 5 U.S. 137, 163 (1803)).

148. *Marbury*, 5 U.S. at 177.

149. Indeed, this approach might also be reconciled with the separation of powers if it were conceded that the proper judicial role is rather narrower and that "some interests are not intended to be protected by courts." Sandra Day O'Connor, *Reflections on Preclusion of Judicial Review in England and the United States*, 27 WM. & MARY L. REV. 643, 644 (1986) (arguing that this is, in fact, the case as a descriptive matter).

150. 5 U.S.C. § 551(13) (2012) (emphasis added).

B. ACTIONS COMMITTED TO AGENCY DISCRETION

By contrast to preclusion statutes under 5 U.S.C. § 701(a)(1), unreviewability based on agency discretion under § 701(a)(2) rests not on a court's respect for a Congressional mandate against judicial review but rather on a court's respect for traditions of abstaining from review of certain types of action.¹⁵¹ The contours of that judicial self-restraint are shaped, in turn, by two sets of considerations: extrinsically, the availability and adequacy of standards by which judicial review could even proceed; more intrinsically, the nature or attributes of the agency action itself.¹⁵² Agency actions that are intrinsically beyond judicial review or that have attributes that counsel unreviewability for historical or constitutional reasons are outside the scope of this Article. For the present discussion of recursive deference, it is having appropriate standards for judicial review that is important.

The importance of manageable standards reflects the familiar doctrine that agency action should not be deemed unreviewably committed to agency discretion unless the relevant statute is “drawn in such broad terms that in a given case there is no law to apply.”¹⁵³ The animating principle of this doctrine is that, where Congress gave courts no way to assess agency action—i.e., to engage in meaningful judicial review, there Congress did not intend for courts to be involved at all.¹⁵⁴ In view of the presumption in favor of reviewability, the set of cases where courts have no role to play and “no law to apply” is now understood to be small.¹⁵⁵

Where to find a judicial role or manageable standard, meanwhile, goes

151. *Heckler v. Chaney*, 470 U.S. 821, 832–33 (1985). *See also* Levin, *supra* note 135, at 691. How much of this tradition, particularly pre-APA precedent, courts should use when determining whether an action is “committed to agency discretion” is contested, especially whether courts ought to make this determination in common-law fashion. 5 U.S.C. § 701(a)(2); *see also* Gillian E. Metzger, *Embracing Administrative Common Law*, 80 GEO. WASH. L. REV. 1293 (2012) (arguing that the common law approach has persisted and, indeed, is both institutionally desirable and constitutionally sound); *see generally* John F. Duffy, *Administrative Common Law in Judicial Review*, 77 TEX. L. REV. 113 (1998) (offering an extensive historical discussion and identifying a trend away from a common law method to a statutory method in the law governing judicial review of agency actions).

152. CHARLES H. KOCH, JR. & RICHARD MURPHY, 4 ADMIN. L. & PRAC. §§ 12:12–13 (3d ed. 2018).

153. *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 410 (1971) (citing S. Rep. No. 752, 79th Cong., 1st Sess., 26 (1945)) (internal quotations omitted).

154. *See* KOCH & MURPHY, *supra* note 152, at § 12:12.

155. *Overton Park*, 401 U.S. at 410; *Heckler*, 470 U.S. at 830 (reiterating and quoting from *Overton Park*). The Court in *Overton Park* did recognize that the scope of § 701(a)(2) had previously been “the subject of extensive commentary.” 401 U.S. at 410 n.23 (citing leading scholarly articles by Professors Raoul Berger, Harvey Saferstein, and Kenneth Culp Davis).

beyond the statutory text alone and often includes legislative history¹⁵⁶ or the overall statutory scheme.¹⁵⁷ Such evidence is surely most likely to be compelling if Congress places it in the statutory text.¹⁵⁸ Nevertheless, the ability to look to the overall framework that Congress has enacted is a sensible parallel to the Court's related instruction for evaluating preclusion statutes under § 701(a)(1), to find "clear and convincing" indications¹⁵⁹ that are "fairly discernible" *in the detail of the legislative scheme*,¹⁶⁰ not solely in the statutory text.

Somewhat surprisingly, law to apply that is manageable enough to enable judicial review may come even from the agency itself, i.e., from the agency's own regulation,¹⁶¹ and at least one circuit court decision has inferred adequate law to apply from an agency's "established policies."¹⁶² This is surprising because it seems to put the legitimacy of judicial review at least partly into the hands of the agency that would be subject to review, which would seem to be in tension with the separation of powers.

This is not to overstate the point: at most, the agency's regulation or established policy would be a sufficient condition for judicial review, not a necessary one. In other words, the agency could not insulate itself where Congress had intended review to be available, but could expose itself to review though Congress apparently committed the action to the agency's discretion. Still, allowing courts to look inside an agency for law to apply is of potential concern because promulgating clear, manageable regulations and policies may expose an agency to review where it would otherwise be insulated. Such a scenario is likely to arise only when the legislative materials—text, history, etc.—suggest unreviewability, leaving courts with only the agency's own

156. *See, e.g.*, *Mount Evans Co. v. Madigan*, 14 F.3d 1444, 1452–53 (10th Cir. 1994).

157. *See, e.g.*, *Int'l Longshoremen's & Warehousemen's Union v. Meese*, 891 F.2d 1374, 1379–80 (9th Cir. 1989).

158. *See Webster v. Doe*, 486 U.S. 592, 615–16 (Scalia, J., dissenting). Although Justice Scalia ultimately disagreed with the Court's holding that the firing of former CIA employee John Doe was reviewable for constitutional defects, he agreed with the Court's more general analysis about commitment to agency discretion. By that analysis, the statute granting the Director of Central Intelligence discretion to fire any employee did suggest that Congress had committed such firings to the CIA's discretion under § 701(a)(2). Indeed, for Justice Scalia the text was conclusive, making it "difficult to conceive of a statutory scheme that more clearly reflects that 'commit[ment] to agency discretion by law' to which § 701(a)(2) refers." *Id.* at 616.

159. *Abbott Labs. v. Gardner*, 387 U.S. 136, 141 (1967).

160. *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 350 (1984) (emphasis added).

161. *Greater L.A. Council on Deafness, Inc. v. Baldrige*, 827 F.2d 1353, 1361 (9th Cir. 1987).

162. *Socop-Gonzalez v. Immigration & Naturalization Serv.*, 208 F.3d 838, 844 (9th Cir. 2000). Although the Ninth Circuit subsequently reheard the case en banc, the order granting en banc review did not vacate the panel decision but merely spoke to its precedential value within the circuit. *See Socop-Gonzalez v. Immigration & Naturalization Serv.*, 229 F.3d 860 (9th Cir. 2000) (en banc).

practices to consider.

The potential chilling effect that this type of agency-based judicial search for law to apply may have upon clear agency rule-making and policy-making is underscored by two things. One is the inter-circuit consensus it appears to command, with support from decisions in the First,¹⁶³ Third,¹⁶⁴ Sixth,¹⁶⁵ Seventh,¹⁶⁶ Eighth,¹⁶⁷ Ninth,¹⁶⁸ Tenth,¹⁶⁹ and D.C.¹⁷⁰ Circuits. The other is Supreme Court dicta that even an agency's unfettered discretion may, through the agency's own practice, subsequently be constrained so forbid the agency to make an "irrational departure" from that practice.¹⁷¹ This chilling effect is not merely an academic concern but already appears to be manifesting in Patent Office resistance to calls for clarity in certain parts of its decision making apparatus that are questionable and otherwise potentially unreviewable.

C. ACTIONS REVIEWABLE WITH DEFERENCE

Whereas the preceding discussion has set out the conditions under which courts give absolute deference to agency actions by abstaining from judicial review, the more common understanding of deference is review that affirmatively evaluates agency action and leaves it intact even if the reviewing court itself might have reached a different outcome. Some of the doctrinal

163. *See* *Mass. Pub. Interest Research Grp., Inc. v. U.S. Nuclear Regulatory Comm'n*, 852 F.2d 9, 10 (1st Cir. 1988) (holding that the Commission's decision is not reviewable because there is no meaningful standard for review in agency regulations).

164. *See* *Chong v. Dir., U.S. Info. Agency*, 821 F.2d 171, 175 (3d Cir. 1987) (holding that judicial review is available for the Agency's decision because there is "law to apply" as set forth in the agency's regulations).

165. *See* *Diebold v. United States*, 947 F.2d 787, 790 (6th Cir. 1991) (holding that judicial review is available because there are standards guiding the agency action and the judicial review of the action).

166. *See* *Head Start Family Educ. Program, Inc. v. Coop. Educ. Serv. Agency* 11, 46 F.3d 629, 632–33 (7th Cir. 1995) (holding that judicial review is available partly because there is ample "law to apply" in administrative regulations).

167. *See* *Madsen v. Dep't of Agric.*, 866 F.2d 1035, 1037 (8th Cir. 1989) (holding that exception for judicial reviewability only applies when there is "no law to apply," and that the Department's regulation at issue does not meet such a standard).

168. *See* *Greater L.A. Council on Deafness, Inc. v. Baldrige*, 827 F.2d 1353, 1361 (9th Cir. 1987) (holding that the Department's regulation provides "law to apply" and therefore is reviewable).

169. *See* *Thomas Brooks Chartered v. Burnett*, 920 F.2d 634, 642 (10th Cir. 1990) (holding that affirmative agency action is reviewable where the agency purports to act pursuant to its own rules).

170. *See* *CC Distribs., Inc. v. United States*, 883 F.2d 146, 154 (D.C. Cir. 1989) (holding that the Department's decision is reviewable because regulations promulgated by an administrative agency in carrying out its statutory mandate are reviewable).

171. *Immigration & Naturalization Serv. v. Yang*, 519 U.S. 26, 31–32 (1996).

focus is accordingly different, but important parallels remain. Discussion of these details is the final administrative law premise needed for understanding recursive deference.

For actions reviewable with deference, the governing framework is foundationally identified with the Court's 1984 *Chevron* decision.¹⁷² By its familiar two-step test, *Chevron* instructs that when an agency interprets an ambiguous statute, courts must uphold the agency interpretation if it is reasonable.¹⁷³ Thus, step one is to ask whether the statutory provision that the agency has interpreted is ambiguous or, instead, Congress has "directly spoken to the precise question at issue."¹⁷⁴ If the statutory provision is, indeed, ambiguous, then step two is to ask whether the agency's chosen interpretation reflects "a permissible construction of the statute."¹⁷⁵ Where the choice "represents a reasonable accommodation of conflicting policies that were committed to the agency's care by the statute," the court should uphold it.¹⁷⁶ The agency's interpretation need not be the only permissible construction, and the agency's choice need not be what the court itself would have chosen.¹⁷⁷ Even if both of these conditions are unmet, the court must still uphold the agency's reasonable interpretation.

In addition to the content of *Chevron* itself, the court's jurisprudence on deference to agency action also speaks, not without some conflict, to when the *Chevron* analysis should apply at all. One form of this antecedent inquiry, known as step zero,¹⁷⁸ is to ask whether the agency enjoys power delegated from Congress to interpret a statute that the agency administers or otherwise to "speak with the force of law."¹⁷⁹ If the agency does not, or has not exercised that power, then the reviewing court will not give the strong deference of *Chevron*.¹⁸⁰ The other form is to ask whether the subject of the agency action is an issue so important—a so-called "major question"¹⁸¹—that it would be

172. See Sunstein, *supra* note 108, at 188.

173. See *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 842–43 (1984).

174. *Id.* at 842.

175. *Id.* at 843.

176. *Id.* at 845 (internal citations omitted).

177. See *id.* at 843 n.11.

178. See generally Sunstein, *supra* note 108; see also Merrill & Hickman, *supra* note 108, at 836.

179. See *Barnhart v. Walton*, 535 U.S. 212, 225 (2002) (upholding the agency regulation in question because the enabling statute "delegate[d] to the Agency considerable authority to fill in, through interpretation, matters of detail related to its administration"); *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001) (explaining that "Congress not only engages in express delegation of specific interpretative authority," but also delegates implicitly).

180. See *Mead*, 533 U.S. at 234–35.

181. See Sunstein, *supra* note 108, at 236–42. A recent, and particularly contentious, example of the major question doctrine was the Supreme Court's 2015 decision in *King v.*

implausible to infer a Congressional delegation of lawmaking power to the agency as to that issue.¹⁸² Where the agency action does implicate such a major question, the court, again, will not give the strong deference of *Chevron*.¹⁸³ The court may still accord the agency more modest deference in proportion to the “persuasive force” of the agency’s reasoning,¹⁸⁴ but that is all.

Where *Chevron* deference is concerned, Congressional intent remains just as essential as with statutes that command absolute deference to agency actions either by precluding review under § 701(a)(1) or by committing actions to the agency’s discretion under § 701(a)(2). The difference is that preclusion statutes turn on Congressional intent to withhold review,¹⁸⁵ and commitment to agency discretion generally turns on Congressional intent to withhold any “law to apply.”¹⁸⁶ For *Chevron*, the Congressional intent in question is the intent to delegate authority to the agency to “speak with the force of law.”¹⁸⁷ To the extent that this delegation is lacking, the agency will receive little or no deference.¹⁸⁸

Like Congressional intent, also still essential to deferential review is proper respect for the separation of powers and the rule of law, though in this context, courts accord that respect differently. Under the *Chenery* doctrine, courts affirm or reject agency actions based only on the agency’s own reasons rather than

Burnell. 135 S. Ct. 2480 (2015). The Court in *Burnell* upheld the permissibility of healthcare subsidies under the Affordable Care Act (ACA) for individuals purchasing insurance on a federal insurance exchange even though the language of the ACA referred to exchanges established by states. *Id.* at 2496. The Court was evaluating the IRS interpretation of that language and, rather than defer to the IRS, held that the question presented was of such “economic and political significance” that deference could not be justified. *Id.* at 2488–89. Instead, the Court evaluated the IRS’s position essentially *de novo* and ultimately found it satisfactory. *Id.*

182. *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 159 (2000) (explaining that “Congress is more likely to have focused upon, and answered, major questions, while leaving interstitial matters to answer themselves in the course of the statute’s daily administration”) (citing Stephen Breyer, *Judicial Review of Questions of Law and Policy*, 38 ADMIN. L. REV. 363, 370 (1986)).

183. *See MCI Telecomms. Corp. v. Am. Tel. & Tel. Co.*, 512 U.S. 218, 229 (1994).

184. *See Mead*, 533 U.S. at 235. The alternative, lesser form of deference was first articulated by the Court in *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944).

185. *See supra* notes 133–134 and accompanying text.

186. *See supra* notes 153–155 and accompanying text.

187. *Mead*, 533 U.S. at 229.

188. Further, and more basically, to the extent that the doctrine of implied delegation recedes under current criticisms and proposed legislative reforms, agencies may receive systematically less deference not because *Chevron* is unsatisfied but because it is simply less potent. *See, e.g.*, Separation of Powers Restoration Act of 2017, H.R. 76, 115th Cong., 1st Sess. (2017) (abrogating *Chevron* and requiring courts to review all agency interpretation of statutory ambiguity *de novo*); Separation of Powers Restoration Act of 2016, H.R. 76, 114th Cong., 2d Sess. (2016) (same). The merits of these proposals are outside the scope of this Article.

on alternate reasons supplied by the reviewing court, for “[t]o do so would propel the court into the domain which Congress has set aside exclusively for the administrative agency.”¹⁸⁹ These agency rationales and arguments are what the reviewing court considers—and all that it considers—when deciding whether an agency interpretation is reasonable.¹⁹⁰ That is, an agency cannot prevail at *Chevron* step two without satisfying *Chenery*.¹⁹¹

Thus, courts contemplating deferential review under *Chevron* preserve the separation of powers by stepping back and abstaining from crafting policy justifications that are properly for the agency to craft. By contrast, courts that are contemplating absolute deference to agencies via § 701(a)-style unreviewability tend to preserve the separation of powers by stepping forward as guardians of individual relief against unchecked agency power. And across the spectrum of judicial review and judicial deference as to agency actions discussed to this point, courts protect the rule of law by requiring the agency under *Chenery* to articulate its reasoning, whether to defend the reasonableness of its actions under *Chevron* or to show that its actions are not an abuse of discretion even where review is otherwise unavailable under § 701(a).

This is significant because *Chenery* is applicable only where, and to the extent that, judicial review is available.¹⁹² The doctrine cannot subject an otherwise unreviewable agency action to judicial review.¹⁹³ This is certainly consonant with *Chenery*'s place in *Chevron* step two, for *Chevron* itself cannot apply unless judicial review is already available. But as with preclusion statutes that command absolute deference to an agency action, the level of generality at which the agency's action is to be considered also matters for deference under *Chevron* and reasoned decision making under *Chenery*.

For example, a court that were concerned about an agency's abuse of power might require the agency to give a more extensive account of its decision making by conceptualizing the disputed agency action more broadly. The operation of *Chenery* would remain unchanged, but its effect would be enlarged. Likewise, if the same court and agency labored under a preclusion statute that accorded absolute deference to one agency action but potentially left a second,

189. *SEC v. Chenery Corp.*, 332 U.S. 194, 196 (1947).

190. *See Bank of Am., N.A. v. FDIC*, 244 F.3d 1309, 1319 (11th Cir. 2001); *Am.'s Cmty. Bankers v. FDIC*, 200 F.3d 822, 835 (D.C. Cir. 2000).

191. *See* Amy R. Motomura, *Rethinking Administrative Law's Chenery Doctrine: Lessons from Patent Appeals at the Federal Circuit*, 53 SANTA CLARA L. REV. 817, 872 (2014); Kevin M. Stack, *The Constitutional Foundations of Chenery*, 116 YALE L.J. 952, 1005 (2007).

192. *Interstate Commerce Comm'n v. Bhd. of Locomotive Eng'rs*, 482 U.S. 270, 283 (1987) (explaining that *Chenery* “pertains to the basis that a court may use for the affirmance of agency action that is reviewable”).

193. *Id.* (explaining further that “*Chenery* has nothing whatever to do with whether agency action is reviewable”).

related agency action untouched, then the court might conceptualize the first (insulated) agency action narrowly and the second (reviewable) agency action broadly in order to maximize the degree to which the court could demand reasoning through *Chenery* and modulate its deference through *Chevron*, or even *Skidmore*.

D. THE PROBLEM OF RECURSIVE DEFERENCE

Recursive deference is a phenomenon in which these forms of absolute and non-absolute judicial deference combine to produce a more complex judicial inquiry. The simple case of recursive deference is a single agency action that would ordinarily be a candidate for *Chevron* deference but which may be unreviewable, i.e., may warrant absolute deference. This situation is functionally no different from a *Chevron* step zero inquiry. The action either is or is not “the type of agency action that merits deference” under *Chevron*,¹⁹⁴ so *Chevron* either does or does not apply.

The nontrivial case, now observable in the shifting power dynamics between the Patent Office and the federal courts, is that of two interrelated agency actions—one of which may warrant *Chevron* deference and the other of which is purportedly unreviewable. Depending on how broad the scope of unreviewability is for the latter agency action and how closely related the two actions are, the first agency action may or may not receive *Chevron* deference.

This analytical framework does much to explain the PTAB’s piecemeal rejection of grounds that it considers redundant. Under *Cuozzo*, the institution decision itself is unreviewable.¹⁹⁵ Meanwhile, the related, underlying choice to institute petitions in part rather than in full is at least arguably ambiguous.¹⁹⁶ This connection between the first insulated agency action (institution) and the second, related agency action (partial institution) could lead to multiple possible outcomes. One is that institution as such may be defined broadly, with partial institution merely a lesser-included power. On this view, the preclusive scope of § 314(d) or § 324(e) insulates partial institution as well, and the agency’s *Chevron* obligation to show the reasonableness of its regulation is moot because the unavailability of judicial review forecloses any *Chenery* inquiry at *Chevron* step two. Another possible outcome is that the decision whether to institute is merely a binary threshold choice whereas the scope of PTAB review is an analytically distinct issue. On this view, an agency obligation under *Chenery* to explain its reasoning is viable because the power of partial institution—whether its statutory grounding is ambiguous or not—is judicially reviewable.

194. Note, *The Two Faces of Chevron*, 120 HARV. L. REV. 1562, 1571 (2007) (citing *United States v. Mead Corp.*, 533 U.S. 218, 229–30 (2001)).

195. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016).

196. See *supra* notes 109–111 and accompanying text.

Thus, in practice, when determining whether an agency action merits deference, the recursion to see whether it is related enough to a second, unreviewable, agency action such that both may be unreviewable can be considered an intermediate step between step zero and step one.¹⁹⁷ If the type of deference in question is *Chevron*, the relevant agency action must not only reflect a delegation by Congress of authority to interpret the statute or otherwise speak with the force of law.¹⁹⁸ The agency action must also fall outside the sweep of a second, related agency action that is unreviewable.

IV. RESOLUTION AND FUTURE PROBLEMS

Since the Patent Office practice of redundancy-based rejections came to the fore, two of the underlying open questions of PTAB structure have been resolved. The PTAB has also responded to criticism of its opaque decision making by scaling back its rejection of redundant grounds, though this trend is more ambiguous. Still, the larger structural concern articulated by Judge Reyna in *Shaw Industries*,¹⁹⁹ that the Patent Office will claim unreviewable discretion and the public will have little or no guidance on what boundaries the Federal Circuit is prepared to impose on these claims, still persists. In short, the problem of redundant grounds may resurface, and other similar problems may arise.

A. STRUCTURAL GUIDANCE ON PARTIAL INSTITUTION

The first open question of PTAB structure that has now been resolved is that of adjudicating petitions piecemeal at the institution stage rather than fully granting or fully denying review. In *SAS Institute v. Iancu*, the Supreme Court this past Term held that the statute does not permit partial institution on a claim-by-claim basis.²⁰⁰ A reasonable likelihood of eventual success on the merits of the petition²⁰¹ means “only that the Director can decide ‘whether’ to institute the requested review—not ‘whether and to what extent’ review should proceed.”²⁰² In other words, the Court rejected the theory that the PTAB’s discretionary power to institute carries with it a lesser-included power to select a subset of challenged patent claims on which to proceed with review.²⁰³

197. See *supra* notes 172–178 and accompanying text.

198. See *supra* notes 178–180 and accompanying text.

199. See *supra* notes 101–102 and accompanying text.

200. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1355–56 (2018).

201. Although this is the institution criterion for inter partes review, see 35 U.S.C. § 314(a) (2012), the Court’s logic would likely apply with equal force to the institution criterion for post-grant review and covered business method review under § 324(a).

202. *SAS Inst.*, 138 S. Ct. at 1356.

203. See *supra* note 110 and accompanying text.

As a result, the Patent Office regulation providing for partial institution²⁰⁴ is, at least to the extent of choosing among patent claims, invalid as contrary to statute. It is as yet unclear whether the remainder of that regulation, which also provides for instituting review upon certain patent claims *on certain grounds*, has survived *SAS Institute*.

For the time being, the Patent Office is not leaving much to chance. In guidance issued two days after the decision in *SAS Institute*, the agency announced that it would henceforth institute on all patent claims in a petition (or none at all), as well as on all challenges in the petition (or none at all).²⁰⁵ In both the guidance document itself and in a subsequent “Chat with the Chief” held by PTAB Chief Judge David Ruschke, the agency stated its view that *SAS Institute* requires a binary decision only as to all patent claims challenged in the petition, not as to all challenges raised in the petition.²⁰⁶ The PTAB leadership is showing an abundance of caution but reserving for itself the right to change course later.

As a matter of agency policy, this is entirely sensible. Several hundred inter partes reviews are currently pending in the PTAB, and, of these, the agency estimates that close to a fifth were instituted piecemeal.²⁰⁷ These pending cases must now also be brought into compliance, and a broadly precautionary stance by the agency is likely to serve as a strong signal to litigants about the changing landscape of incentives in PTAB adjudication.²⁰⁸ In the context of pending cases, the effect of such signaling may be, in many cases, to encourage resolution of the statutory deficiency by the parties themselves, e.g., through joint termination of the inter partes review.²⁰⁹

Nevertheless, as a matter of the legislative policy balance that Congress

204. 37 C.F.R. § 42.108 (a) (2018).

205. U.S. Patent & Trademark Office, *Guidance on the Impact of SAS on AIA Trial Proceedings*, (Apr. 26, 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial> [<https://perma.cc/VG82-HKPK>].

206. *See id.* (describing adjudication of claims as “required by the [*SAS*] decision” while limiting the policy on adjudication of challenge to “[a]t this time”); U.S. PATENT & TRADEMARK OFFICE, CHAT WITH THE CHIEF ON SAS [hereinafter CHIEF CHAT], (Apr. 30, 2018), https://www.uspto.gov/sites/default/files/documents/chat_with_chief_sas_5.3.18.pdf [<https://perma.cc/UUC6-HJ79>] (same).

207. CHIEF CHAT, *supra* note 206 (stated orally during the question-and-answer period); *see* Saurabh Vishnubhakat (@emptydoors), TWITTER (Apr. 30, 2018 9:23 AM), <https://twitter.com/emptydoors/status/990990143799558144> [<https://perma.cc/58Q5-RFRP>] (contemporaneously live-tweeting the statistic).

208. *See generally* Saurabh Vishnubhakat, *First Steps After SAS Institute*, PATENTLY-O (Apr. 27, 2018), www.patentlyo.com/patent/2018/04/first-steps-institute.html [<https://perma.cc/8Q68-EAJ2>] (discussing litigant incentives as well as Patent Office incentives for pending as well as future cases following *SAS Institute*).

209. *See id.*; *see also* 35 U.S.C. § 317(a) (2012).

struck in the AIA itself, the agency's desire to preserve its options means that the ability to reject redundant grounds—or, indeed, to claim other new forms of discretion under the cover of unreviewable power over institutions—may yet return.

B. STRUCTURAL GUIDANCE ON JUDICIAL REVIEW

The second open question of PTAB structure that has now been resolved is that of unreviewability itself. The resolution is not complete: the courts have not said, nor would likely purport to say, where any bright line lies between the unreviewable power over institution and reviewable powers over related matters. But the en banc Federal Circuit in *Wi-Fi One LLC v. Broadcom Corp.*²¹⁰ and the Supreme Court in *SAS Institute* have both recognized important limits on the exceedingly broad mandate that the Patent Office took from *Cuozzo* about unreviewable agency discretion. It was this very mandate, in fact, on which the agency rested its expansive position in *Shaw Industries* about “complete discretion to deny institution” without “even hav[ing] to state in our institution decisions why we’re choosing not to go forward.”²¹¹

The issue presented in *Wi-Fi One* was whether the one-year deadline from the filing of an infringement lawsuit, within which a petition for inter partes review must be brought,²¹² is susceptible to ordinary judicial review.²¹³ The Patent Office had previously argued—and a panel of the Federal Circuit had agreed in *Achates Reference Publishing v. Apple*²¹⁴—that the PTAB's application of this one-year time bar was merely incidental to its general power over institution, and was therefore unreviewable.²¹⁵ Notably, this broad view of agency discretion preceded the Supreme Court's June 2016 decision in *Cuozzo* but did rest on the Federal Circuit's own panel decision in *Cuozzo*,²¹⁶ which the Supreme Court ultimately approved.²¹⁷

One of the most important intervening changes between *Achates* and *Wi-Fi One* was the Patent Office's ascendant series of litigation positions regarding

210. 878 F.3d 1364 (Fed. Cir. 2018) (en banc).

211. *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1303 (2016) (Reyna, J., concurring).

212. See 35 U.S.C. § 315(b) (2012) (providing that “inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent”).

213. *Wi-Fi One*, 878 F.3d at 1367.

214. 803 F.3d 652 (Fed. Cir. 2015).

215. See *supra* note 115 and accompanying text.

216. *In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271 (Fed. Cir. 2015).

217. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016) (affirming the judgment of the Federal Circuit).

judicial unreviewability.²¹⁸ The impact of these positions was forcefully articulated in Judge Reyna's separate opinion in *Shaw Industries*²¹⁹ but arose in other contexts as well. For example, in *Knowles Electronics v. Matal*, the Federal Circuit panel ordered additional briefing on whether the Patent Office was required separately to show its own Article III standing to exercise its statutory power to intervene on appeal where one of the litigants was absent from the appeal (in fact, the litigant whose position the agency was espousing).²²⁰ In fact, there is good reason to think the Patent Office does have this obligation, especially in light of its strategic, policy-oriented pattern of deciding when to intervene.²²¹ The agency, however, again took a highly expansive view on each successive question in the supplemental briefing order: the Patent Office need not separately show its own Article III standing; if it did, such standing existed in the case at bar; and regardless, the agency is free to take any position on appeal that it wants.²²² Given this persistent pattern of agency self-aggrandizement, the strong and clear deceleratory outcome in *Wi-Fi One* is a welcome reversal.²²³

So, too, is the Supreme Court's consensus in *SAS Institute* that the question of partial institution is plainly reviewable notwithstanding *Cuozz*. The decision as a whole was split 5–4, with Justice Gorsuch writing for the majority²²⁴ and Justice Breyer writing the principal dissent for the remaining justices.²²⁵ The majority held that the text of the institution standard in § 314(a) was unambiguous and that the agency's argument for deference failed at *Chevron*

218. See generally Vishnubhakat, *supra* note 114 (arguing that the series of positions that the Patent Office has taken on judicial unreviewability under § 314(d) reflects systematic encroachments by the agency on judicial powers that the AIA left undisturbed, and that these encroachments have weakened the emergent court-agency border in patent law under the AIA).

219. See *supra* notes 101–102 and accompanying text.

220. See *Knowles Elecs., LLC v. Matal*, No. 16-1954 (Fed Cir. June 30, 2017) (per curiam) (order requesting supplemental briefing), <https://cdn.patentlyo.com/media/2017/06/KnowlesOrder.pdf> [<https://perma.cc/7VXQ-LHK2>].

221. See generally Saurabh Vishnubhakat, *When Can the Patent Office Intervene in Its Own Cases?*, 73 N.Y.U. ANN. SURV. AM. L. 201 (2018); see also Saurabh Vishnubhakat, *Mapping the Patent Office Intervenor Power*, PATENTLY-O (Feb. 5, 2018), www.patentlyo.com/patent/2018/02/mapping-patent-intervenor.html [<https://perma.cc/9288-DBX5>].

222. See Supplemental Brief for Intervenor, *Knowles Elecs., LLC v. Matal*, No. 16-1954 (Fed. Cir. July 31, 2017), 2017 WL 3399631, at *1–2.

223. See Vishnubhakat, *supra* note 114, at 1087–91 (discussing the jurisprudential effects of *Wi-Fi One*).

224. See *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018).

225. See *id.* at 1360 (Breyer, J., dissenting). Justice Ginsburg wrote a brief dissent that the other dissenting justices also joined, but the detailed rejoinder to the majority was Justice Breyer's.

step one.²²⁶ Importantly, and apropos of the recursive deference inquiry, the majority also held that the antecedent question, even before *Chevron*, of whether partial institution is authorized by statute is not closely tied to the binary power of the PTAB over institutions.²²⁷

Meanwhile, Justice Breyer's dissent held that the institution standard of § 314(a) was, indeed, ambiguous and that the resolution of that ambiguity by a Patent Office rule intended to streamline administrative adjudication—by focusing the parameters of the dispute through partial institution—was reasonable.²²⁸ Even to reach the *Chevron* inquiry, however, Justice Breyer had to do the same thing the majority did: conclude that the issue was susceptible of judicial review. The majority saw no need to evaluate the agency's policy reasoning for reasonableness, and the dissent both made the evaluation and found it satisfactory. But the entire Court implicitly agreed that the *Chevron* inquiry itself was viable because the agency's underlying action was not insulated from judicial oversight altogether. Just as *Wi-Fi One* does, *SAS Institute* represents a significant limit on the reach of *Cuozuko* and the ability of the Patent Office to rely on that precedent for broad claims to unchecked discretion.

The upshot of these judicial resolutions for the structure of the PTAB is that the early and expansive Patent Office position on rejecting redundant grounds without defense or even explanation is probably not tenable anymore. Still, a more modest reformulation of that practice remains possible, as do new claims of agency power.

C. CONTRACTION OF REDUNDANT-GROUNDS ANALYSIS

The tide of the non-doctrine of redundancy appears now to be ebbing. Since the practice of rejecting otherwise meritorious grounds piecemeal for being redundant first arose, primarily in covered business method reviews, it has been deployed in over 700 institution decisions on petitions for inter partes review from March 2013, when the first institution decisions began to issue, through July 2017.²²⁹ As Figure 1 shows, the monthly volume of institution decisions that relied on redundancy-based filtering rose quickly through 2013 and reached a high-water mark in 2014, receding thereafter to relatively modest monthly levels from late 2015 onward.

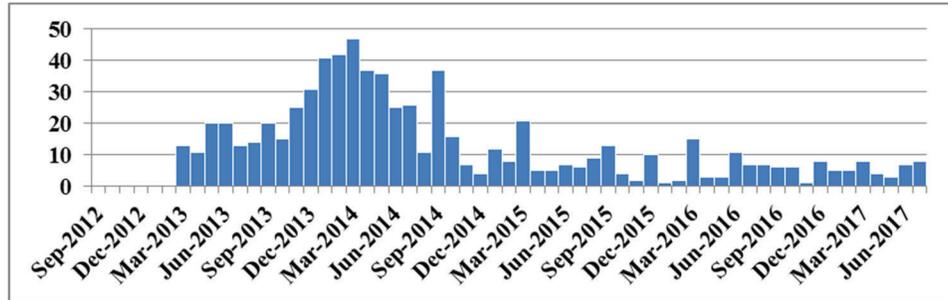
226. *See id.* at 1358–59 (majority opinion).

227. *See id.* at 1359.

228. *See id.* at 1364 (Breyer, J., dissenting).

229. Data on institution and rejections of redundant grounds is from the Docket Navigator service. *See* DOCKET NAVIGATOR, *supra* note 27.

Figure 1: Institution Decisions in Inter Partes Review Rejecting Redundant Grounds



It is ambiguous, however, what the source of this ebb actually is. One plausible explanation is that the agency itself has responded to the raft of criticism about the ill effects of its redundancy-based rejections, such as prejudice from estoppel,²³⁰ and the skepticism about the agency's authority to engage in the practice at all. For all that the Patent Office has done since the AIA to enlarge its autonomy relative to the supervisory power of the Federal Circuit, it remains an institution that is, politically speaking, impressively sensitive to input from its various public constituencies.²³¹

Also plausible, however, is that the decline in rejections of redundant grounds simply reflects a decline in the assertion by petitioners of grounds that the PTAB would find redundant. In other words, the agency may not be staying its hand at all. Litigants may simply be learning. Descriptive statistics, meanwhile, are not enough to disentangle cause and effect in this regard.

Ultimately, however, both accounts are problematic for the same reason. If the agency is exercising restraint today, it may reverse course tomorrow, and if litigants are learning today, their lessons are always at the mercy of the agency's self-styled discretion. Mechanisms do exist for the Patent Office to create credible and durable checks on its own ability to change course in this regard, as in others, but thus far it has not done so.

The most straightforward way would be to identify an institution decision of the PTAB that articulates a coherent—and, ideally, judicially ratified—view of redundant grounds and designate that PTAB opinion precedential.²³² In the

230. See, e.g., Bob High, Comment, *Redundant Prior Art References and Their Prejudicial Effects on Post-Issuance Review Petitioners*, 65 EMORY L.J. 581 (2015) (arguing that petitioners would be prejudiced by being “forced to assert a ground of unpatentability that turns out to be weaker than grounds declared redundant” while estoppel would attach as to both grounds).

231. See generally Saurabh Vishnubhakat, *Disguised Patent Policymaking*, 104 IOWA L. REV. (forthcoming 2019) (discussing the political valence of Patent Office decision making under the AIA, which has been relatively obscured by the dominant narrative of the agency's technical expertise).

232. See generally Saurabh Vishnubhakat, *Precedent and Process in the Patent Trial and Appeal*

hierarchy of PTAB designations, “representative opinions are a descriptive curation of routine opinions. Informative opinions go beyond merely surveying an issue and synthesize some further normative guidance. Precedential opinions go further still and make the synthesis binding.”²³³ Departure from an opinion designated precedential would require supersession by binding authority, such as a Federal Circuit decision or a contrary redesignation,²³⁴ akin to reversing the policy of agency rulemaking either by judicial invalidation or by expending the political and material cost of a second rulemaking.

Instead, the PTAB points to only one opinion as having any guidance value at all on redundant grounds: *Liberty Mutual v. Progressive Casualty*, a 2012 institution decision that came well before either the systemic effects of redundancy-based screening came to the fore or the agency’s troubled quest for judicially unreviewable discretion unfolded.²³⁵ Presently, *Liberty Mutual* holds the least authoritative PTAB designation, that of “Other Representative Orders and Decisions.”²³⁶

Instead of this equivocal contraction by the agency, the greater check on agency practice with respect to redundant grounds seems to have been imposed externally, by the Federal Circuit. In *CRFD Research v. Matal*, the PTAB declined to institute review on an argument by petitioner Hulu that patent owner CRFD’s patent was obvious under 35 U.S.C. § 103 in view of a prior art patent issued to inventor Bates.²³⁷ Hulu argued that CRFD’s patent was obvious not only in light of Bates alone but also in light of the combination of Bates with other patents.²³⁸ The PTAB granted review on the latter argument but rejected as redundant the argument of obviousness in light of Bates alone.²³⁹

However, rather than deferring to agency discretion as it had done in *Shaw Industries* and other cases, the Federal Circuit in *CRFD Research* held that the

Board, PATENTLY-O (May 10, 2016), <https://patentlyo.com/patent/2016/05/precedent-process-patent.html> [<https://perma.cc/KV7M-S7VN>] (describing Patent Office Standard Operating Procedure No. 2 for designating opinions as “representative,” “informative,” or “precedential”).

233. *Id.*

234. See U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STANDARD OPERATING PROCEDURE NO. 2 3, (Rev. 9, Sept. 22, 2014).

235. *Liberty Mut. Ins. Co. v. Progressive Cas. Co.*, No. CBM2012-0003, at 2 (P.T.A.B. Oct. 25, 2012).

236. *Representative Orders, Decisions, and Notices*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/decisions-and-opinions/representative-orders> [<https://perma.cc/Z2P7-TADE>].

237. See *CRFD Research, Inc. v. Matal*, 876 F.3d 1330, 1349 (Fed. Cir. 2017).

238. See *id.* at 1346.

239. See *id.*

PTAB erred and that its redundancy-based rejection was both reviewable and, in the case at bar, improper.²⁴⁰ The court explained:

To bar Hulu from pressing an argument it raised in a ground the Board found “redundant” and that it expressly incorporated into other proposed grounds of unpatentability on which the Board instituted would not only unfairly prejudice Hulu, but would also raise questions about the propriety of the Board’s redundancy decision.²⁴¹

Like the recent judicial guidance on partial institution and judicial review,²⁴² this concern for unfair prejudice against the petitioner and interrogation of the propriety of rejecting grounds as redundant is new in the PTAB’s experience and a welcome reversal of past leniencies.

V. CONCLUSION

The trajectory of the Patent Office experiment with attempting to manage its docket by rejecting grounds for redundancy is a stark case study in the sensitivity of administrative adjudication to early structural choices and persistent enlargements of agency power. The agency’s diversely applied but coherently revealed preference for claiming broad discretion under the nonappealability provisions of §§ 314(d) and 324(e) was built on a number of analytical premises. One was that the agency could sweep more and more of its adjudication-related actions, which are susceptible to ordinary judicial review, into the ambit of its screening-related actions, which are immune from review. This was plausible, at least initially, because the standard for screening overlapped significantly with merits adjudication itself by inquiring into the likelihood of eventual success in the case. This view was ultimately vindicated in *Cuozz* and did much of the doctrinal work for Patent Office claims of discretion.

Another premise was that the PTAB could properly create for itself by regulation the authority to make partial institutions. This, too, was initially plausible because the institution statute could be read as ambiguous and thus within the purview of *Chevron* deference. This view ultimately failed in *SAS Institute*, which also laid down an important limit on the logic and reach of *Cuozz*.

In the end, however, the glue that held the syllogism together for so long was the Patent Office’s reliance on the recursive relationship between judicial deference to its interpretation of the institution statute and the antecedent

240. *See id.*

241. *Id.*

242. *See supra* Sections IV.A–IV.B.

availability of judicial review of actions related, whether closely or distantly, to institution. The positions of the Patent Office reflected, quite early in the history of the AIA, a recognition that even if *Chevron* deference could not be had, the *Chenery* obligation of reason-giving at step two of *Chevron* presupposed reviewability. If that reviewability could be argued away, the end result would be the same: autonomy for the agency, free from oversight by the Federal Circuit.

This last insight has only just begun to see daylight in the Federal Circuit's case law. The rejection in *CRFD Research* of a redundant-grounds approach suggests that the court may be willing to look beyond its initial approbations of the PTAB's discretion and hold the PTAB more accountable for its obligations of reasoned decision making and transparency, virtues that are often tempting to compromise in the pursuit of efficiency and the lure of technocratic expertise. The agency's own drawdown of rejecting redundant grounds is encouraging but ambiguous and easily reversible. Latent potential remains for the problem to return and for new claims of agency power to arise in the same vein. In this setting of disequilibrium between the courts and the Patent Office, as the system of AIA proceedings continues to mature, the work of the judiciary in disciplining agency excess is not yet complete.

INTER PARTES REVIEW AND THE DESIGN OF POST-GRANT PATENT REVIEWS

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ABSTRACT

Inter partes review (IPR) is one of several mechanisms for vetting patents after they have been granted. While the purpose of IPRs is to provide a cheaper, more expert alternative to litigation for screening out bad patents, the devil is in the design details. For example, the inclusion of key procedural features in IPRs, such as fixed time frames and expanded discovery contributed to making it far more popular than its predecessors. As the United States weighs additional changes to the administration of IPRs, including expanding the basis for amendment and unifying standards of review, it is worth considering the experiences of the European Patent Office (EPO) and Germany with their parallel opposition and nullification (revocation) procedures. This Article compares and contrasts U.S. IPR, EPO opposition, and German revocation actions and explores what they suggest, collectively, about the optimal design of post-grant review systems.

Despite heightened concerns in the United States about IPR invalidation rates, outcomes are comparable across the three venues: 81% of reviewed claims and 26% of claims challenged in U.S. IPR proceedings are cancelled; 68% of patents reviewed and 63% of patents challenged in EPO opposition proceedings are amended or canceled; and 73% of the patents reviewed and 28% of the patents challenged in German revocation proceedings are partially or fully invalidated. But seemingly slight differences have contributed to the distinct roles each proceeding plays in its domestic patent system. The relative slowness of German infringement actions has translated into a parallel district action stay rate of 10–15%, as compared to an 80% stay rate among U.S. district court litigations that proceed in parallel to the IPR. Patentees also have fewer rights in U.S. IPRs than they do in EPO opposition proceedings, but have substantial rights to amend and can expect consolidated challenges. Focusing on how small

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differences have had big impacts on procedural and substantive outcomes, this Article discusses the implications of features such as the ability to amend and pre-institution decisions on the design and efficacy of post-grant patent reviews.

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I. INTRODUCTION

Although only a patent office can grant a patent, patents can be taken away in multiple venues and multiple ways. In the United States, a patent’s invalidity is typically raised as a defense to a claim of infringement made in a district court or at the International Trade Commission. But increasingly, parties are

turning back to the agency that issued the patent in the first place—the United States Patent Office (PTO)—to revisit its validity. The PTO offers several advantages over district court for doing so. Post-grant patent reviews (a term we use to refer to all post-grant review processes including IPR, PGR, CBM, and reexam) support correction of the patent regardless of whether or not there is a case or controversy,¹ they allow generalist juries and judges to avoid thorny technical and legal question, and they support cheaper, more expert adjudication.² As Congress described when it created several administrative trial proceedings through the Leahy-Smith America Invents Act (AIA), such post-grant proceedings are intended to provide “quick and cost effective alternatives to litigation.”³

But whether or not administrative proceedings are actually faster and less expensive than litigation for evaluating the validity of patents depends on how the proceedings are implemented. At best, inter partes review (IPR) and related proceedings substitute for litigation-based validity adjudication by eliminating the need for it; for example, when a patent is fully invalidated by an IPR or a patentee’s position is fully or even partially vindicated driving settlement. But these proceedings may also complement or supplement, rather than substitute for parallel proceedings, introducing additional costs, complexities, and delays. This can happen when, for example, the court does not stay co-pending litigation, the IPR fails to substantially clarify the status of the patent, or the patent is subject to multiple serial challenges, each introducing additional delays and complications.

Whether a particular post-grant patent review operates in practice more like a substitute or complement to litigation depends on how it is administered and implemented. While post-grant patent reviews are often discussed in general terms, each form of post-grant review has its own unique purpose and set of procedures. For example, opposition proceedings at the European Patent Office (EPO) and U.S. post-grant review (PGR) procedures are available for the first nine months after the patent is granted (“first window”),⁴

1. The source of the error may stem from a change in the law (e.g., a new decision which calls into question the validity of a patent that was valid when issued), a change in the facts (e.g., a new piece of prior art not considered by the patent office), or patent office error.

2. See, e.g., Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943 (2004); Bronwyn H. Hall et al., *Prospects for Improving U.S. Patent Quality via Post-Grant Opposition* (Nat'l Bureau of Econ. Research, Working Paper No. 9731, 2003); Bronwyn H. Hall & Dietmar Harhoff, *Post-Grant Reviews in the U.S. Patent System – Design Choices and Expect Impact*, 19 BERKELEY TECH. L.J. 989 (2004).

3. H.R. Rep. No. 112-98, pt. 1, at 48 (2011), as reprinted in 2011 U.S.C.C.A.N. 67, 78; see also *id.* at 40 (AIA “is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”).

4. European Patent Convention art. 99(1), Nov. 29, 2001, 1065 U.N.T.S. 284

other proceedings are only available after this initial period, during the “second window,” and still others are available throughout a patent’s life.⁵ While some proceedings, such as IPRs, can be initiated by parties other than the patentee, others, such as European limitation and revocation proceedings⁶ and American reissue proceedings can only be initiated by the patentee. Only American reissue proceedings permit the patentee to enlarge, not diminish, the patent’s scope, at least in the first two years of the patent’s life.⁷

Table 1: Forms of Post-Grant Patent Reviews

Timing	US ⁸	EPO	Germany
“First” Window ⁹	Post-Grant Review (PGR)	Opposition ¹⁰	Opposition ¹¹
“Second” Window ¹²	Inter Partes Review (IPR), Covered Business Method Review (CBM)	None	Nullity (revocation) actions ¹³
Life of the Patent	Reissue, Ex Parte Reexam	Revocation, Limitation ¹⁴	None

[hereinafter EPC].

5. *See infra* tbl.1.

6. *See, e.g.*, EUROPEAN PATENT OFFICE, GUIDELINES FOR EXAMINATION, GUIDELINES FOR OPPOSITION AND LIMITATION/REVOCATION PROCEDURES, https://www.epo.org/law-practice/legal-texts/html/guidelines/e/d_x_1.htm [<https://perma.cc/2QDB-LSKZ>] [hereinafter EPO EXAMINATION GUIDELINES].

7. American reissue proceedings that broaden the patent may only be initiated within the first two years of the patent’s life. *See* 35 U.S.C. § 251(d).

8. For a description of various U.S. post grant patent review proceedings, see generally, Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539 (2012).

9. The “first window” represents the time frame within the first nine months after a patent is granted.

10. EPC art. 99.

11. For an overview of Germany opposition system, see *Opposition Systems*, WIPO, https://www.wipo.int/scp/en/revocation_mechanisms/opposition/index.html [<https://perma.cc/M37S-64H4>] (last visited, Jan. 24, 2019).

12. The “second window” represents the time frame any time after the first window.

13. Nullity or “revocation” proceedings are heard by a court, not the patent office. However, the scope of review is limited to the patent’s validity. *See infra* Part II.

14. EPC art. 105a.

When passing the AIA in 2011, Congress focused on the importance of design choices by ushering in three new forms of post-grant patent review: PGR, covered business method (CBM) Review, and IPR.¹⁵ The most popular of these, IPR, improved upon its predecessor, inter partes reexamination, by introducing a strict schedule, conditions that made it favorable for courts to stay their parallel cases, and evidentiary guidelines.¹⁶ These small changes have made a big difference in the uptake of post-grant review: while the PTO received fifty-three requests in the first five years of inter partes reexamination,¹⁷ the Patent Trial and Appeal Board (PTAB) received 7,930 requests in the first five years of IPR (from September 2012 to December 2017).¹⁸

But in addition to being popular, IPR processes have also been controversial, principally because they have resulted in the cancellation of a large share of the claims that the PTO has fully reviewed. By February 2018, 65% of final decisions in IPR proceedings concluded that all reviewed claims were unpatentable, and 16% concluded that some reviewed claims were unpatentable, resulting in an 81% rate of partial or total invalidity.¹⁹

The high rate of invalidity and resulting outcry²⁰ has prompted a reconsideration of how IPR is administered. In 2017, the Federal Circuit's *Aqua Products* decision made it easier for patentees, in certain cases, to amend their patents during IPR.²¹ In 2018, the PTO changed the legal standard for

15. For an overview, see, e.g., Matal, *supra* note 8, at 623 (2012).

16. *Id.*

17. *Id.* at n. 379 (citing the 2011 *Committee Report for the ALA*, H.R. Rep. No. 198, at 46, 48 (2011)) (reporting that the USPTO received fifty-three requests for inter partes reexam in the first five years of the proceeding).

18. U.S. PATENT & TRADEMARK OFFICE, TRIAL STATISTICS, IPR, PGR, CBM, PATENT TRIAL AND APPEAL BOARD, DECEMBER 2017, https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2017-12-31.pdf [<https://perma.cc/K6GD-X2RF>].

19. U.S. PATENT & TRADEMARK OFFICE, TRIAL STATISTICS, IPR, PGR, CBM, PATENT TRIAL AND APPEAL BOARD, FEBRUARY 2018 [hereinafter PTAB FEBRUARY STATISTICS] https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180228.pdf [<https://perma.cc/HT9A-MAMR>]; see Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 94 (2014) (reporting a 77% cancellation rate based on the first few years of the program).

20. See, e.g., Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 251 (2015) (describing critics who believe that the IPR outcomes suggest that PTAB is “out of control”).

21. *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1296 (Fed. Cir. 2017) (finding that petitioners have the “burden of persuasion with respect to the patentability of amended claims” in IPR proceedings, rather than the patentee). The court further held that “the Board must consider the entirety of the record before it when assessing the patentability of amended claims under § 318(a) and must justify any conclusions of unpatentability with respect to amended claims based on that record.” *Id.*

claim interpretation during IPRs to make it consistent with the standard applied in litigation²² and moved to explore expansion of the ability of patentees as well as to amend their claims during the post grant review process,²³ including “the institution decision, and the conduct of hearings.”²⁴ These developments make it timely to consider other post-grant systems that have been around for longer and, in some cases, have years of experience implementing features being considered by the PTO.

This Article compares and contrasts three forms of post-grant patent review: U.S. IPR, EPO opposition proceedings, and German nullification, considering their processes, outcomes, and, collectively, what they imply about the optimal design of post-grant patent reviews. The European opposition system has been around for decades, making it a natural point of comparison.²⁵ Further, the availability of data about the European opposition system supports a nuanced understanding of how it is carried out in practice. German revocation or “nullification” proceedings provide another useful point of comparison because, like IPR, nullification is “second window” review that takes place after the first nine months of the patent’s life, and often proceeds in parallel with, but independently from, a court’s evaluation of infringement. This raises unique issues with respect to the interplay between the courts and the IPR system.

This Article finds that, although attracting a lot of attention, IPR outcomes are not far outside the norms among other post-grant patent review systems. 81% of final written decisions in IPR proceedings partially or fully invalidate the patent,²⁶ while more than the 68% of patents reviewed in EPO opposition²⁷ and 73% of patents reviewed in German revocation proceedings,

22. See *PTAB Issues Claim Construction Final Rule*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/procedures/ptab-issues-claim-construction> [<https://perma.cc/AY29-2CF9>] (last visited Jan. 24, 2019).

23. See *PTAB Seeks Comments on Proposed Changes to Motion to Amend Practice in AIA Trials*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/resources/ptab-mta-rfc> [<https://perma.cc/J36M-XBEF>] (last visited Jan. 24, 2019) [hereinafter *PTAB Changes to Motion to Amend*].

24. Andrei Iancu, Director, U.S. Patent & Trademark Office, Statement before the House Committee on the Judiciary, (May 22, 2018).

25. European opposition has been available since the 1970s. See EPC art. 19.

26. It should be noted that a single patent can be subject to multiple petitions. Thus, these figures, as reported by the USPTO, are really at the petition, rather than the patent, level.

27. These are numbers from 2017. From 2011 to 2014, about 33% were maintained in amended form and 39% were revoked. In 2015 and 2016, 69% of the opposed patents were partially or totally invalidated with still more revocation than amended patents. A switch took place in 2017 with a larger rate of amended patents than revoked patents. Author analysis based on EPO figures in consultation with EPO officials.

which are available after the opposition window has closed, are also partially or fully invalidated.²⁸ However, only the U.S. IPR system requires challenges to survive a pre-institution filter. This inflates the invalidation rate in the U.S. because many patents that are challenged are never fully reviewed. When all *challenged* (rather than *reviewed*) patents are considered, U.S. IPR invalidation rates shrink relative to other venues: 26% of patents challenged in U.S. IPRs, 63% of patents challenged in the EPO, and 28% of the patents challenged in German revocation proceedings are partially or fully invalidated.²⁹

But differences in procedures have led to differences in outcomes. The relative speed and predictability of the U.S. IPR system stands in contrast to the other venues, particularly German nullity actions, which take place in court but at a pace that does not match German infringement actions.³⁰ As a result, only about 10–15% of German infringement proceedings are stayed,³¹ as compared to a partial or full stay rate of 82% in U.S. district court proceedings in which a stay motion was filed and there is a pending, instituted parallel IPR.³² Partly as a result of the low stay rate in Germany, 12% of the injunctions awarded in Germany rely on patents that are later invalidated.³³ Patentees also have fewer rights in U.S. IPRs than they do in EPO opposition proceedings, where patentees can more liberally amend their claims and expect a consolidated, single challenge, rather than be subject to serial challenges.³⁴

Part II describes the purpose of inter partes post-grant reviews and discusses the major categories of post-grant patent reviews in the PTO, EPO, and Germany, with a particular focus on U.S. IPR, EPO opposition proceedings, and German nullity proceedings. Part III delves deeper into several aspects of review that are the subject of recent policy interest: amendments, serial petitions, claim construction standards, and the

28. See *infra* fig.4.

29. See *id.*

30. See generally Cremers et al., *Invalid but Infringed? An Analysis of the Bifurcated Patent Litigation System*, 131 J. ECON. BEHAV. & ORG. 218 (2016) (describing how German invalidity and opposition proceedings take significantly longer than infringement proceedings).

31. See Jochen Herr & Marc Grunwald, *Speedy Patent Infringement Proceedings in Germany: Pros and Cons of the Go-To Courts*, 7 J. INTELL. PROP. L. & PRAC. 44, 44 (2012).

32. The rate for IPRs filed between September 2012 and December 2016 was calculated using data provided by Unified Patents and MaxVal. We calculated the stay rate at the case-level between “parallel cases,” defined as district court cases and IPR petitions that satisfied the following criteria: (a) the same patent is asserted in court and challenged in an IPR, (b) the plaintiff in the IPR petition is the defendant in the district court infringement case, and (c) the IPR petition was filed within 12 months of the court filing date. Only instituted IPRs are considered to compute the stay rate. Note that the stay rate for all parallel cases regardless of whether a motion for a stay was filed is slightly less than 40%.

33. Cremers et al., *supra* note 30, at 219.

34. See *id.*; see also *PTAB Changes to Motion to Amend*, *supra* note 23.

coordination in the “second window” of invalidity and infringement proceedings. Part IV considers the outcomes associated with key design choices and evaluates the extent to which, based on outcome data, it appears that post-grant patent reviews are playing their intended, substitutionary role. Part V discusses policy implications, and Part VI concludes.

II. AN OVERVIEW OF POST-GRANT PATENT REVIEWS IN THE PTO, AT THE EPO, AND AT THE GERMAN DPMA

While the public benefits when an improperly issued patent is invalidated—in the form of greater freedom to innovate and greater competition, for example—the defendant solely bears the high costs of attempting to invalidate a patent in court. For this reason, patent invalidation can be thought of as a public good that is at risk of underproduction.³⁵ Further, only a minority of issued patents are contested and worth the extra scrutiny.³⁶

Depending on how they are implemented, post-grant patent reviews can address both the public goods nature of invalidity challenges as well as the sorting problem associated with the large skew in the value of patents. The cost of invalidating a patent in post-grant patent review not only can be substantially less than the cost of invalidating it in court, but can also be shared by all whose freedom of action would increase upon the patent’s invalidity.³⁷ By occurring later in a patent’s life, after its value has been established, post-grant patent reviews also support the application of extra scrutiny to the patents that actually matter.

For these reasons, a well-functioning post-grant patent review process is an important component of a healthy patent system. As discussed below, though the process began in the early 2000s, it was not until the AIA of 2011 that the current U.S. regime of post-grant patent reviews, featuring IPR (which replaced inter partes reexamination proceedings), CBM, and PGR, were put in place. In contrast, European opposition proceedings have existed since the EPO’s formation in the early 1970s.³⁸

After briefly discussing the events leading to IPR’s creation, this Section summarizes the post-grant patent review mechanisms of the United States,

35. See Farrell & Merges, *supra* note 2, at 952.

36. Colleen V. Chien, *Predicting Patent Litigation*, 90 TEX. L. REV. 283, 287(2011) (noting that only 1–2% of patents are litigated).

37. See Dreyfuss, *supra* note 20, at 284–85 (describing the work of RPX and Unified Patents, who pool the resources of their members to initiate IPRs).

38. EPC art. 99. There was not much discussion about the need to introduce opposition as from the beginning in the EPC because opposition was a traditional feature of most patent systems in Europe. See M. VAN EMPEL, THE GRANTING OF EUROPEAN PATENTS point 461 (1975).

Europe, and Germany, with a focus on three main mechanisms of interest: U.S. IPRs, European opposition proceedings, and German nullity actions. U.S. IPR's success and efficient administration hold lessons both for the German nullity and EPO opposition proceedings for whom, as described below, timing has presented a challenge.

The more mature European system can also serve as a reference point for the U.S. IPR as it experiences growing pains.. While some credit IPRs as being the most impactful intervention for reducing patent trolling,³⁹ the change has also been abrupt, leading many in the community to feel the dismay that Supreme Court Justice Neil Gorsuch expressed in his dissent in *Oil States v. Greene*:

After much hard work and no little investment you devise something you think truly novel. Then you endure the further cost and effort of applying for a patent At the end of it all, the Patent Office agrees your invention is novel and issues a patent. . . . But . . . someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled[.]⁴⁰

As the sections below describe, each post-grant patent review process is unique. Key differences include timing and duration (when review is offered, and how long it takes); who can initiate and participate in the process (inter partes proceedings involve third parties other than the patentee, whereas ex parte proceedings are between the patentee and patent office only); and whether or not the reviews are meant to proceed in parallel with litigation (thereby providing a “bifurcated” system), or whether infringement and invalidity are meant to be decided together (in a “unified” system). These and other key differences are summarized at the end of this Section in Table 2.

A. POST-GRANT PATENT REVIEW IN THE U.S.

1. *The History of IPR*

In the early 2000s, the perception that the PTO was improperly issuing large numbers of patents led a powerful coalition of stakeholders, including the PTO, National Academies of Sciences, the American Intellectual Property Law Association, and the Biotechnology Industry Organization, to endorse the creation of “an effective, efficient post-grant system to review patents”⁴¹

39. See, e.g., Colleen Chien, Panel Discussion at the South by Southwest Conference: The Persistence of Patent Trolls in Tech (Mar. 12, 2018) (presenting the results of a small survey, N=90 that, in response to a question about the impact of certain interventions to reducing the threat of patent trolls, ranked IPR first (with a score of 4.3 out of 5), followed by 101 caselaw (4.2), TC Heartland (3.4), CBM (3.3), fee-shifting (2.7) and Form 18 (2.3)).

40. *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1380 (2018) (Gorsuch, J., dissenting).

41. *Patent Quality Improvement: Post-Grant Opposition: Hearing before the Subcomm. on Courts, the*

within the United States.⁴² Then-existing inter partes reexaminations and other mechanisms for carrying out post-grant review were perceived as underused and burdensome to the PTO,⁴³ because they often had a three- to five-year pendency.⁴⁴

From this general desire for a cheaper way to weed out low-quality patents, the specific contours of a new set of reviews emerged through the congressional process. Early draft bills would have limited the period of post-grant review to nine months after issuance. However, the high-technology sector's concerns that this window was too short, given the time needed for a patent's value to emerge, led to the development of "life-of-the-patent" review proposals.⁴⁵ The final compromise reflected an "all of the above" approach. Following passage of the AIA, the PTO now offers post-grant reviews (PGR) of patents during the "first window," nine months after patent issuance.⁴⁶ While any basis of patentability can be challenged under PGR, PGR applies only to patents filed after March 15, 2013, and the number of patents challenged under PGR remains low.⁴⁷ IPRs, which replaced inter partes reexamination proceedings, as well as CBM reviews, are available at any time following the initial nine-month period, or during the "second window."⁴⁸ In *SAS Institute v. Iancu*, the Supreme Court determined that the PTAB cannot partially institute a petition for an IPR but must consider all claims brought before it,⁴⁹ leading the PTAB to extend its review as to "all claims or none."⁵⁰

2. PGR (*First Window Review*)

PGRs are validity proceedings at the PTO that are available during the nine months after a patent's issuance or reissuance.⁵¹ They can be initiated by anyone but the patent owner on any grounds of patentability except for the

Internet, and Intellectual Prop. of the H. Comm. on the Judiciary, 108th Cong. 29–30 (2004) (statement of Michael Kirk, Executive Director, AIPLA); Matal, *supra* note 8, at 600 n.383.

42. See Matal, *supra* note 8, at 582.

43. *Id.* at 600–05.

44. *Id.* at 603–04, 622.

45. *Id.* at 601–02.

46. See 35 U.S.C. § 321 (2012).

47 47. PTAB FEBRUARY STATISTICS, *supra* note 19, at 5 (showing that 98 PGRs were filed from 9/16/12 to 2/28/18).

48. See *supra* tbl.1.

49. See *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018) (holding that the agency lacks the authority to render partial judgments on petitions that challenge issued patent).

50. Shortly after *SAS Institute Inc. v. Iancu*, the USPTO issued guidelines ending its practice of partially instituting its decision. See U.S. PATENT & TRADEMARK OFFICE, GUIDANCE ON THE IMPACT OF SAS ON AIA TRIAL PROCEEDINGS (2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial> [<https://perma.cc/WJ8E-6BSM>].

51. 35 U.S.C. § 321.

“best mode” requirement, which requires that a patent applicant disclose the best way they know of making the invention, by the time of filing.⁵² The process begins when the challenger submits a petition to the PTO which then proceeds to a review by a three-judge panel of the Patent Trial and Appeals Board (PTAB). A PGR is instituted only if the panel is convinced, based on the petition, that it is “more likely than not” that at least one of the claims challenged in the petition is unpatentable. Assuming the parties do not settle, the Board will proceed to a final decision and determine whether the challenged claims are invalid or should be upheld. Accordingly, there are four possible merit outcomes associated with a PGR: institution denied, all claims upheld, some claims upheld, or all claims invalidated.

Importantly, decided PGRs have preclusive effects on related district court and International Trade Commission (ITC) litigation, meaning that the challenger (and associated real parties in interest) cannot later argue that any claim subject to a final written decision is invalid on any grounds that the petitioner “raised or reasonably could have raised during that PGR.”⁵³ Additionally, the U.S. “first window” procedures proceed on strict timelines, completing twelve to eighteen months after institution.⁵⁴ This stands in contrast with EPO “first window” reviews, known as oppositions, which currently take around two years on average. However, the EPO aims to reduce the duration to fifteen months by 2020.⁵⁵ Because PGR is currently available only for patents with an effective filing date (priority) on or after March 16, 2013, and it takes several years for a patent to be granted, uptake of PGR proceedings so far has been limited. From September 2012 through February 2018, only 98 PGR petitions have been filed.⁵⁶

3. IPR (*Second Window Review*)

IPR, the primary form of “second window” review in the United States, is available to challenge all utility patents. Like PGR, inter partes reviews are initiated by third parties (not the patent owner), decided by a three-judge panel at the PTAB, and support the same four possible merit-based outcomes. However, in contrast to PGR’s expansive bases for challenge, IPRs can only address anticipation or obviousness, based solely on patents and printed

52. 35 U.S.C. § 112(a).

53. 35 U.S.C. § 325(e).

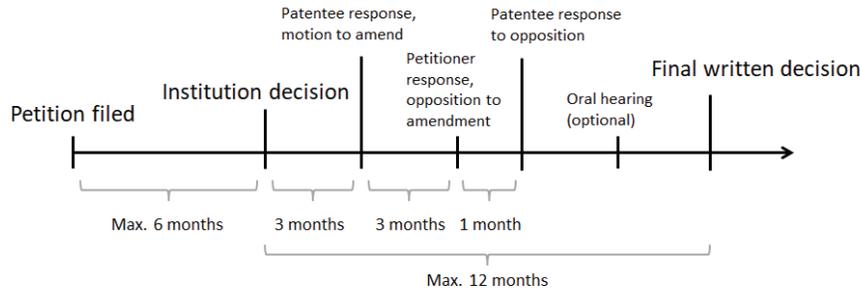
54. *See* 35 U.S.C. § 316 (a)(11).

55. *See* Bronwyn H. Hall et al., *supra* note 2; *Improving Timeliness*, EUROPEAN PATENT OFF., <https://www.epo.org/about-us/annual-reports-statistics/annual-report/2016/highlights/improving-timeliness.html> [<https://perma.cc/W76Z-7U4F>] (last visited Jan. 24, 2019) (“By 2020 the EPO aims to cut the overall duration of our opposition procedure for straightforward cases to within 15 months.”).

56. PTAB FEBRUARY STATISTICS, *supra* note 19, at 3.

publications.⁵⁷

Fig. 1: IPR Timeline



Like PGR, IPR begins with a petition to the PTO that requests review of the contested patent.⁵⁸ This request must be filed within one year of any parallel litigation⁵⁹ and will only be granted if the petitioner shows that there is a reasonable likelihood of prevailing on at least one claim challenged in the petition.⁶⁰ Once instituted, a final determination on the validity of the claims must be completed within twelve months unless the PTO extends the period of review by up to six months.⁶¹ The district court judge can grant a stay of the infringement proceedings while a PTAB challenge is pending. The stay of the infringement proceedings assumes a crucial role in avoiding situations where the patent is found “invalid but infringed.”

4. “Life of the Patent” Reviews

In addition to the new AIA PTAB trial proceedings, preexisting ex parte reexamination and reissue proceedings remain available anytime over the life of the patent.⁶² U.S. district courts and the ITC can also hear validity challenges alongside infringement claims.

B. IN THE EUROPEAN PATENT OFFICE

1. Opposition (First Window Review)

Since its formation in the 1970s, the EPO has offered opposition proceedings⁶³ to third parties seeking to clarify the status of granted patents

57. See 35 U.S.C. § 311(b) (AIA § 6).

58. See *supra* fig.1.

59. See 35 U.S.C. § 315(b) (AIA § 6).

60. See 35 U.S.C. § 314(a) (AIA § 6).

61. See 35 U.S.C. §§ 316(a)(11), 318(a) (AIA § 6).

62. See *infra* tbl.1.

63. See EPC art. 99. Opposition has been a traditional feature of most patent systems in

within the first nine months of the patent's life. Each "EPO patent" must be perfected in all the member states designated by the applicant⁶⁴ before it can be enforced—there is no such thing as an enforceable "European patent." Therefore, after expiration of the "first window," validity challenges, with the exception of limitation and revocation, are heard only in front of the relevant national authority. Because there is not yet any "second window" for challenging an EPO patent,⁶⁵ this raises the stakes and the incentive to challenge patents during the first window.

Article 100(a)–(c) of the EPC lays out the grounds of opposition at the EPO, which are wide-ranging and include the major patentability criteria⁶⁶ except for "clarity," which is equivalent to the definiteness requirement in the United States. Unlike U.S. IPR, there is no formal institution stage in EPO opposition. Moreover, the EPO permits the patentee to amend challenged patents, leading to three possible merit outcomes: rejection of the opposition (confirmation of all claims),⁶⁷ complete revocation of all claims, and maintenance of the patent in an "amended form."⁶⁸ There is also a non-merit outcome: closure of the opposition without a decision on the patent validity. For example, the opposition can be withdrawn before the opposition division decides to proceed on its own motion on the basis of its *prima facie* opinion on the patent validity, the facts, and submissions submitted by the opponent.⁶⁹ For some time, the merit outcomes of oppositions at the EPO have been described as "three-thirds": with one-third of opposed patents maintained as granted, one-third were amended, and one-third revoked.⁷⁰

Europe, but there was not much discussion about the need to introduce opposition from the beginning in the EPC. *See* M. VAN EMPEL, *THE GRANTING OF EUROPEAN PATENTS* (European Aspects) point 461 (1975).

64. On average EP patents are validated in four member states. The most frequently designated member states are Germany, UK, France, Italy, and the Netherlands.

65. This may change when the Unitary Patent Protection enters into force. *See generally* THE SELECT COMMITTEE & THE PREPARATORY COMMITTEE OF THE UNIFIED PATENT COURT, *AN ENHANCED EUROPEAN PATENT SYSTEM* (2014).

66. *See* EPC art. 100(a) (the subject matter is not patentable because it is not an invention according to the EPO and it does not meet the other three patentability criteria: novelty, inventive step, and industrial applicability); *see also id.* at art. 100(b) (the disclosure of the invention is not sufficient to enable somebody skilled in the art to practice the invention); *id.* at art. 100(c) (the subject matter of the European patent amended in such a way that it extends beyond the content of the application as filed).

67. *See* EUROPEAN PATENT OFFICE, *GUIDELINES FOR EXAMINATION*, D-III, § 1.3.

68. *See, e.g.,* Stuart J.H. Graham & Dietmar Harhoff, *Separating Patent Wheat from Chaff: Would the U.S. Benefit from Adopting Patent Post-Grant Review?*, 43 RES. POL'Y 1649, 1651 (2014). Other options include rejection of the opposition with the patent maintained as granted, and closure of the opposition without a decision on the patent validity.

69. *See id.* at 1653–55.

70. From 1980–2000, about 22% of opposed patents were upheld entirely, 35% were

At the EPO, the Opposition Division carries out opposition proceedings according to two main principles. First, the opposition division must ensure that it has communicated its opinion to the parties before it can take a decision.⁷¹ Second, the patentee has the right to amend the opposed patent, subject to the approval of the Opposition Division. However, an opposed patent can only be amended when this is justified by at least one of the opposition grounds. For example, if the opponent objects to a lack of novelty on a particular claim, only that particular claim can be amended by the patentee, with the condition that the Opposition Division consider that the corresponding objection is potentially jeopardizing the patentability of that claim. In other words, a weak objection against a claim is not sufficient to justify amendment. Moreover, the amendments will need to be restricted to what is necessary for retaining patentability (further details provided in Part III).⁷²

The proceedings take place as follows (see Fig. 2):⁷³ during the “first window” (the nine months following publication of the decision to grant a European patent in the European Patent Bulletin), any person can file an opposition request.⁷⁴ The opposition request must specify the grounds on which the opposition is being filed, namely, either that the invention is not described sufficiently clearly for it to be carried out by a person of skill; that the subject matter of the patent either extends beyond the content of the application as filed;⁷⁵ or some other grounds. The notice of opposition is

revoked entirely, and the remainder, about 43%, were upheld with amendment. About 8% of European patents were opposed, with process engineering and chemistry patents challenged most frequently. In the 2000s, a smaller share of patents, around 5% from 2000–2014, were opposed, with around 28% of opposed patents being upheld without amendment. In 2015 and 2016, the opposition rate dropped to 4%, and then to 3% in 2017 with the proportion of completely revoked patents dropping in parallel from around 40% to 34% in 2017. However, from 2015 to 2017, the rate of patents at least partially invalidated remained stable at around 72%.

71. The only exception is when it can decide on the sole grounds of opposition and argumentation that the opponent filed in the notice of opposition and the patentee has not asked for the benefit of oral proceedings. A corollary right to the right to be heard is the right of the parties to have oral proceedings.

72. Implementing Regulations to the Convention on the Grant of European Patents, Oct. 5, 1973, R.80, <https://www.epo.org/law-practice/legal-texts/html/epc/2016/e/r80.html> [<https://perma.cc/WQ97-SXYS>] [hereinafter EPC Implementing Regulations].

73. See European Patent Office, *Notice from the EPO Concerning the Opposition Procedure as from 1 July 2016*, OJ 2016, A42.

74. EPC art. 99(1). Since the Enlarged Board of Appeal decided *Hartdegen, Emmerich Ing. v. INDUPACK AG*, G 3/97, (OJ 1999, 245) the EPO accepts opposition filed by a straw man as long as this is not used for circumventing the law. DERK VISSER, *THE ANNOTATED EUROPEAN PATENT CONFERENCE* (25th ed. 2017) (Art. 99, comment 1.2).

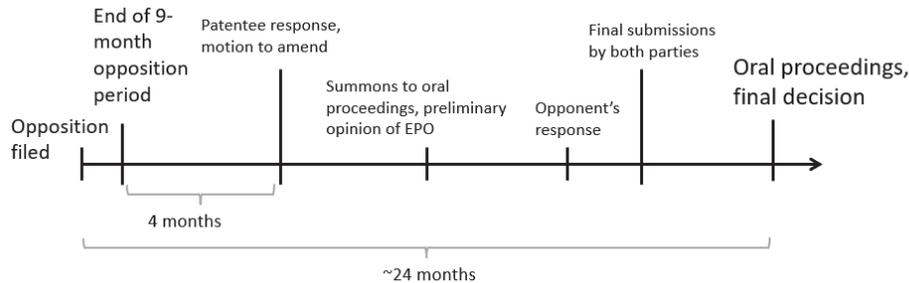
75. See EPC art. 100(b); see also *supra* note 66 and accompanying text.

transmitted without delay to the patentee, and its formal admissibility is examined in parallel. However, the process really only begins at the end of the nine-month opposition period. The first deadline, the patentee's submission of amendments and arguments in response to the notice of opposition, is set four months after the end of the aforementioned opposition period. While the patentee isn't strictly required to submit amendments and arguments, practically speaking, the submission positions the patentee to preserve or defend the patent, and the submission often comprises a mix of arguments refuting the opponent's arguments and amendments for overcoming them. Some patentees file a main request asking for the patent to be preserved as granted and also to present different levels of amendments.

The Opposition Division begins substantial examination upon receipt of the patentee's response, which is also submitted to the opponent(s). Importantly, because of the limited period for filing oppositions, all oppositions received by the EPO within the nine-month period are consolidated into a single proceeding in which the patentee and all the opponents will be parties. Parties can request that witnesses be heard by the division. Afterwards, the opposition division issues its first office action, which is usually a summons to the oral proceedings. In the summons to the oral proceedings, the division indicates its provisional opinion on the claims' validity and the relevance of opposing grounds and related arguments in order to allow the parties to prepare for oral proceedings. The division then sets a deadline before the date of the oral proceedings for filing additional submissions. During the oral proceedings, the chairman of the division pronounces the decision of the division, which closes the procedure. If the EPO decides to maintain the patent in the amended form, the procedure continues, to allow the patentee to handle the required amendment formalities.⁷⁶

76. An assumed infringer may also intervene during an opposition procedure and become a new party to the pending opposition procedure. *See* EPC art. 105.

Fig. 2: European Opposition Timeline



As described earlier, there is no “second window” of post-grant patent reviews in Europe, in part because infringement cases are dealt with exclusively at a national level. However, the future introduction of the United Patent Court (UPC) may change this.⁷⁷

2. *Limitation and Revocation (“Life of the Patent”) Reviews*

Although the EPO does not offer “second window” reviews, the patentee can initiate two additional types of post-grant reviews, limitation and revocation,⁷⁸ at any time in the patent’s life. The EPO introduced these two procedural options in the European Patent Convention 2000.⁷⁹ The amendments were made to compensate for the absence of a central mechanism for enabling the patentee to modify his patent once granted, since the decision of the Enlarged Board of Appeal G 9/93 banned self-opposition.⁸⁰ When an opposition is filed while a revocation request is pending, the revocation request will take precedence, since the patentee’s revocation obviates the need for opposition. However, when an opposition is filed while a limitation proceeding is pending, the limitation proceeding will be terminated.⁸¹ If an opposition proceeding is pending, requests for limitations or revocations are denied.⁸² This means that a patent proprietor fearing that an opposition may be filed in the future can preemptively limit the scope of his or her patent (through limitation) or, at any time, request the patent’s revocation, rendering future opposition superfluous or meaningless.

77. According to the Unified Patent Court Agreement, the UPC will be qualified to hear both infringement and invalidation arguments. Potential conflicts may arise between opposition at the EPO and early referral to the UPC because the UPC is not obliged to stay its proceedings until the opposition procedure at EPO is completed. *See* PIETER CALLENS & SAM GRANATA, *THE UNITARY PATENT AND THE UNIFIED PATENT COURT* (2017).

78. *See* EPC art. 105a.

79. *See id.*

80. *See* VISSER, *supra* note 74, at 258.

81. *See* EPC Implementing Regulations, *supra* note 72, at R.93.

82. *See id.*

As expected when introduced, the revocation procedure is seldom used by patentees. Patentees only filed a total of nine revocation requests in 2017.⁸³ In part this is because it is simpler to surrender a patent just by stopping payment of annual fees. To make a more visible pronouncement, through revocation, and therefore clear one's path of unenforceable patents one can file a request without justification. Revocation requests will be immediately granted as long as the formal requirements are met and the corresponding fee paid.

Limitations are more popular than revocations, but, with only 55 requests in 2017, not much more. There is no requirement that patentees provide a reason for supporting a limitation request. Therefore, a limitation request can be strategically filed by patentees to tailor claim scopes to cover competitor products or market needs. This has earned them the reputation of being unfair weapons of patentees because third parties do not have any similar way of challenging patents throughout Europe.

The "clarification" that takes place as a result of limitation or any other cosmetic changes are, in theory, different from opposition.⁸⁴ However, the line between clarity and patentability, in practice, is almost indistinguishable. Moreover, contrary to opposition proceedings, limitations are an *ex parte* procedure and the patentee need only contend with the examiner, not any third parties.

C. IN GERMANY

1. *German Opposition ("First Window"), Limitation, and Nullity (Revocation) ("Life of the Patent") Reviews*

Much like the EPO, the German Patent and Trademark Office (DPMA) offers opposition proceedings for challenging German patents in the "first window."⁸⁵ Under the German Patent Act (Patentgesetz), a challenger can file a notice of opposition at the DPMA within the first nine months of a patent's life.⁸⁶ Although the patentee cannot oppose his or her own patent, he or she may file for limitation or revocation of the patent during the patent's life, as in the European Union.⁸⁷ However, unlike at the EPO, at the DPMA the patentee must explain or justify his request, for example, by providing the prior art that makes the limitation necessary.⁸⁸

83. Source on file with authors.

84. VISSER, *supra* note 74, at 256 (Art. 105a, general comments).

85. *See* Cremers et al., *supra* note 30, app. A.

86. *Id.*

87. Patentgesetz [Patent Act], Dec. 16, 1980, BGBl I at 3830, last amended Oct. 19, 2013, § 64 (Ger.).

88. *Id.*

2. Nullity (“Second Window”) Reviews

Following the “first window,” the validity of a German patent can only be vetted through (“nullity”) proceedings at the German Federal Patent Court (Bundespatentgericht—BPatG).⁸⁹ Though an invalidity action can be filed by any entity,⁹⁰ almost all invalidity actions, like IPRs in the United States,⁹¹ are filed in response to infringement claims.⁹² Nullity evaluations proceed independently of infringement evaluations, which are heard by twelve regional courts (Landgerichte, or, LG).⁹³ For nullity cases that involve litigated patents, the mandatory separation between claims for infringement and invalidity in Germany creates a “bifurcated” review system that defines many aspects of nullity reviews.⁹⁴

The proceedings must be initiated at the BPatG, separate from the German regional court in which infringement is being decided. Not only are nullity actions heard in a separate venue, but the presumption of validity, the claim construction standard, and the timing of nullity actions also stand in contrast to German regional courts. For example, regional courts rely on a strong presumption of validity when hearing infringement cases. Further, parties are free to make conflicting arguments in each venue—infringement and invalidity courts—about the meaning of the claims. This is because the task before the infringement court is what the patent’s scope of protection is, while the BPatG scrutinizes whether the patent satisfies statutory requirements for patentability.⁹⁵ This creates an incentive for the patent owner to make a broad claim interpretation at a regional court while relying on a narrower claim

89. Cremers et al., *Patent Litigation in Europe*, 44 EUR. J.L. & ECON. 1 (2017). Opposition proceedings can be filed at the DPMA within three months after grant and at the EPO within nine months after grant. An important distinction between opposition procedures at the DPMA and EPO and invalidity actions at the BPatG is that the patent offices can proceed ex officio with the opposition procedures even after the opponent has withdrawn the action.

90. Patentgesetz § 81.

91. DAVID RUSCHKE & SCOTT R. BOALICK, PATENT PUBLIC ADVISORY COMMITTEE QUARTERLY MEETING, PTAB UPDATE 8 (Nov. 9, 2017), https://www.uspto.gov/sites/default/files/documents/20171109_PPAC_PTAB_Update.pdf [<https://perma.cc/3AJ7-YYYY>].

92. See Cremers et al., *supra* note 30, app. A n.49 (citing ANNE VON HEES & SVEN-ERIK BRAITMAYER, VERFAHRENSRECHT IN PATENTSACHEN (Carl Heymanns Verlag, 4th ed., 2010), who estimate that this is the case for 90% of all invalidity actions).

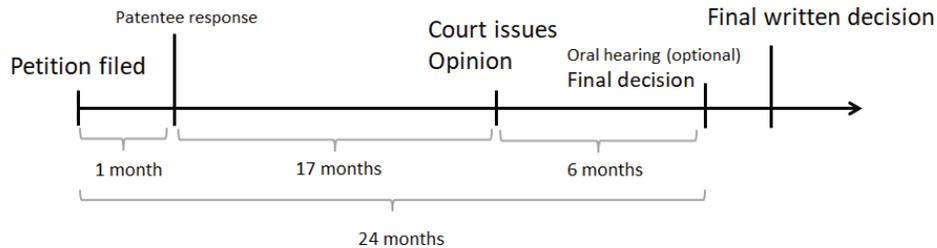
93. Unpublished manuscript on file with authors.

94. Unpublished manuscript on file with authors.

95. This is distinct from the U.S. process where the doctrine of prosecution history estoppel prevents patentees from arguing one way in front of the PTAB and another in district court. See *Grober v. Mako Prods.*, 686 F.3d 1335, 1342 (Fed. Cir. 2012) (citing *Abbott Labs. v. Sandoz, Inc.*, 566 F.3d 1282, 1289 (Fed. Cir. 2009)).

construction at the BPatG.⁹⁶ The timing is also not coordinated between the two venues. Sometime after an infringement action is filed (at the regional court), the invalidity challenge will be filed (at the BPatG). The infringement action, in the absence of a stay, proceeds, and, assuming the judgement is favorable for the patentee, results in an injunction. While invalidity proceedings take around twenty-four months to complete (see Fig. 3), infringement proceedings move faster, resolving in a median of nine months. In many cases, however, invalidity is still being decided at the BPatG, with one practitioner noting that while “infringement actions may be complete in a year, nullity actions can take two years.”⁹⁷

Fig. 3: Nullity Proceedings at German BPatG



96. *See infra* Section III.C.

97. KEKER & VAN NEST LLP, COMPARATIVE PATENT LITIGATION 8, <https://www.law.berkeley.edu/wp-content/uploads/2015/09/06-Comparative-Patent-Litigation-Germany-Versus-The-US.pdf> [<https://perma.cc/EU6N-TM3M>] (last visited July 1, 2018); *see* Cremers et al., *supra* note 30, at 219.

Table 2: Differences and Similarities between U.S. IPR, EPO Opposition Proceedings, and DPMA Nullification Systems⁹⁸

Feature	US IPR System	German BPatG	EPO Opposition
Who May Bring	Any Third Party		
When	Second Window	Second Window	First Window
Other Validity Venues	Courts, ITC, PTO	None	Country courts
Institution Threshold	“Reas. likelihood” of invalidity of 1+ claim	None	None
Parallel Litigation	85% ⁹⁹	90%	Not applicable
Timing	12–18 months on average	24 months on average	~24 months on average ¹⁰⁰
Costs	~\$275K per side ¹⁰¹	€40K-240K ¹⁰²	€40K ¹⁰³
Stay Rate	82%	10–15%	Not applicable
Validity	Not presumed		
Claim Construction	Same ¹⁰⁴	Same ¹⁰⁵	Same ¹⁰⁶

98. For U.S. facts, see Love & Ambwani, *supra* note 19, at app. B, unless otherwise noted; for German facts, see Cremers et al., *supra* note 3031. The description of EPO Opposition is based on the description provided on the EPO website unless otherwise noted. See *Oppositions*, EUR. PAT. OFF., <https://www.epo.org/applying/european/oppositions.html> [<https://perma.cc/6PAB-Z22S>] (last visited Jan. 24, 2019).

99. RUSCHKE ET. AL., *supra* note 91, at 8.

100. See, e.g., Olga A. Partington & Paul A. Calvo, *A Comparison of US and EPO Post Grant Practices*, LEXOLOGY (June 16, 2017), <https://www.lexology.com/library/detail.aspx?g=bd361876-a09d-4e55-99f6-afa30dc9cabb> [<https://perma.cc/SKB7-SQW3>] (describing a range of 15–24 months; in our experience the average is much closer to 24 months).

101. AM. INTELL. PROP. L. ASS’N, 2015 REPORT OF THE ECONOMIC SURVEY 43 (2015).

102. The data assumes value of claim from €500,000 to €5 million.

103. This is an estimate for a “simple” case. Correspondence with European attorney (on file with the authors).

104. See *PTAB Issues Claim Construction Final Rule*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/procedures/ptab-issues-claim-construction> [<https://perma.cc/9FLB-LX9V>] (last visited Jan. 24, 2019) [hereinafter *PTAB Claim Construction Final Rule*] (describing the adoption of the *Phillips* claim construction standard used in litigation in IPR).

105. See EPO EXAMINATION GUIDELINES, *supra* note 6, at pt. F ch. IV (specifying that claim terms should be given “the meaning and scope which they normally have in the relevant art” unless the specification defines terms otherwise).

106. Broadest reasonable interpretation, in case of diverging opinion, the description can

Feature	US IPR System	German BPatG	EPO Opposition
same or different than prosecution?			
Reviewers, Nature	Expert (technically trained), inter partes		
Proceedings	Oral hearings, expert witnesses		Oral hearings, witness possible upon request
Ability to Amend	Limited	Yes	Yes

III. SELECT FEATURES OF POST-GRANT PATENT REVIEW

Building on the last section's overview of post-grant reviews in several jurisdictions, this Section compares and contrasts a few of the salient features of European opposition, German nullification, and U.S. inter partes review. It focuses on aspects of post-grant patent review that are controversial in one or another jurisdiction. Because our hypothesis is that small administrative changes can have a big impact, this Part focuses on both large and small details in the administration of post-grant patents.

The first feature we discuss, the ability of the patentees to amend their patent, is well-integrated into EPO opposition proceedings (and theoretically available during German nullity proceedings as well), and is currently under development in the United States. Next, we address an area of controversy in the United States, how serial petitions are dealt with, with a focus on the consolidation of disputes in EPO opposition proceedings. Finally, we compare and contrast how German nullity and U.S. IPR "second window" processes approach two separate but related issues: claim construction and coordination (or lack thereof) in validity proceedings and infringement courts.

A. AMENDMENT PRACTICE

Though a patent owner has the statutory right to file a motion to amend or cancel a challenged patent claim and propose a reasonable number of substitute claims, in practice making amendments has been challenging for the holders of patents challenged in IPR proceedings.¹⁰⁷ Responsive to concerns about amendment practice, the PTAB has carried out yearly studies on

be used to construe the claims. However, in principle claims must be clear on their own.

107. See Letter from Philip S. Johnson, President, Intellectual Prop. Owners Ass'n, to Michelle K. Lee, Director of the U.S. Patent & Trademark Office [hereinafter Johnson Letter] (Oct. 20, 2015) (on file with author), <http://www.ipo.org/wp-content/uploads/2015/10/IPO-Comments-to-PTO-re-AIA-Trials-10-16-15.pdf> [<https://perma.cc/QC2L-AFAG>].

motions to amend within IPR and related AIA proceedings (including CBM and PGR, whose numbers have been dwarfed among AIA proceedings, by IPR to date).¹⁰⁸ According to the PTAB's calculations, through September 30, 2017, only 10% of completed trials included a motion to amend, and of those the PTAB decided the motion in 62% of the cases. Of those, only 4.2%, or ~7 motions to amend, have been fully granted.¹⁰⁹ As mentioned at the outset of this Article, Director Iancu of the PTO has indicated that amendments are one of several areas that the Patent Office is considering revising.¹¹⁰

At the EPO, one of the main guiding principles of opposition is that the patentee has the right to amend his or her patent when necessary. This occurs principally when justified by at least one ground of opposition, even when not objected to by an opponent.¹¹¹ Procedurally speaking, the patentee's first opportunity to file amendments with the EPO lasts until four months after the "first window" has closed.¹¹² The amendment must overcome a deficiency in the patent covered by at least one of the opposition grounds.¹¹³ When reviewing this information, the opposition division will first decide whether it is justified to file any amendments in light of the grounds of opposition.¹¹⁴ For example, if it finds that the patent as granted is not susceptible to invalidation on any grounds of opposition invoked by the opponents, the EPO will not consider any amendments. If, however, the division decides to consider the amendments, it will evaluate the patent as amended and determine whether or not it meet all the requirements of the invention.

In German nullity proceedings, the patentee retains a similar right to amend, though not to expand the patent's scope. According to Section 22 (1) of the German Patent Act, the patent will be revoked should the patent be amended in ways that impermissibly extend the scope of protection.¹¹⁵

108. See U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD MOTION TO AMEND STUDY (updated through Sept. 30, 2017), <https://www.uspto.gov/sites/default/files/documents/PTAB%20MTA%20Study%20%203%20%20update%20through%2020170930.pdf> [<https://perma.cc/GP68-RAUG>].

109. *Id.* at 4–6.

110. Andrei Iancu, Dir., U.S. Patent & Trademark Office, Statement before the House Committee on the Judiciary (May 22, 2018), <https://www.uspto.gov/about-us/news-updates/statement-director-andrei-iancu-committee-judiciary-0> [<https://perma.cc/UGF4-XLMT>].

111. EPC IMPLEMENTING REGULATIONS, *supra* note 72, at R.81(3).

112. Source on file with authors.

113. Source on file with authors.

114. Source on file with authors.

115. Patentgesetz [Patent Act], Dec. 16, 1980, BGBl I at 3830, last amended Oct. 19, 2013, § 22(1) (Ger.).

B. SERIAL CHALLENGES

Another area in which there has been “a fair amount of controversy,” in the words of then-interim PTO director Joe Matal, pertains to serial inter partes review (IPR) petitions.¹¹⁶ As the Intellectual Property Owners Association explains, there is a risk that serial petitions can be a tool for harassment¹¹⁷ and wearing down the patentee, albeit at a cost of filing multiple petitions. Currently, about 30% of challenged patents are subject to more than one IPR petition.¹¹⁸

In the EPO, all timely filed oppositions (in the nine-month first window) are handled by a formality officer supporting the opposition division.¹¹⁹ Upon receiving the notice of a subsequent opposition, the officer transmits the opposition notice without delay to the patentee and the other opponents, if any.¹²⁰ Then, the officer examines whether the filed opposition meets the formal requirements of the EPC.¹²¹ After expiration of the nine-month opposition period, the formalities officer will send a communication to the patentee setting a four-month time limit for replying to all of the opposition notices received challenging the same patent to this date.¹²² The opposition division will become active only after receipt of the patentee’s reply.¹²³ Because most oppositions are filed relatively close to the end of the nine-month opposition period, the delay induced by this serial processing is largely counterbalanced by the positive aspects of grouping all oppositions in one single opposition procedure.¹²⁴ Even after the nine months expire, any alleged infringer can join a pending opposition procedure.¹²⁵

C. CLAIM CONSTRUCTION STANDARDS

An additional contested aspect of IPRs concerns what claim construction standard should be used. The separation of infringement and invalidity proceedings presents opportunities to construe claims differently in different proceedings. A broad patent claim construction when claiming infringement

116. Transcript, Public Patent Advisory Committee (PPAC) Meeting 13 (Aug. 3, 2017), https://www.uspto.gov/sites/default/files/documents/PPAC_Transcript_20170803.pdf [<https://perma.cc/E889-RW9X>].

117. Johnson Letter, *supra* note 107, at 8.

118. Author’s analysis was based on the data generously provided by Unified Patents covering IPRs filed through April 2018: 949 out of 3,262 patents, or around 30%.

119. Source on file with authors.

120. Source on file with authors.

121. *See* VISSER, *supra* note 74, at 246 points 1 and 2.

122. *Id.* at point 3.

123. Source on file with authors.

124. Source on file with authors.

125. *See* VISSER, *supra* note 74, at 253.

increases the likelihood of a finding of infringement. At the same time, the patent holder has an interest in a narrow claim construction when the validity of the patent is challenged.

German nullity (and until recently, U.S. IPR) proceedings use a different basis for claim construction than their infringement court counterparts. This can result in what is colloquially known as the “Angora cat”: in infringement proceedings, the patent resembles a blow-dried fluffy cat, and in the invalidity proceedings, the same cat looks like a little wet rolled-up bundle.¹²⁶ This is possible because, while the infringement court has to decide on the patent’s scope of protection, the BPatG scrutinizes whether the patent satisfies the statutory requirements for patentability. In this system, a patent may be upheld and found infringed, although if the same claim construction had been applied in both proceedings, either no infringement would be found (based on the narrow claim construction) or the patent would be invalidated (based on the broad claim construction).

An example of the game-playing that different standards invite is provided by EP 1 186 189, a European patent on telecommunication technology that was successfully asserted by patent holder ICom against HTC in Germany.¹²⁷ ICom avoided the invalidation of EP 1 186 189 based on prior art by arguing in invalidity proceedings that the patent was limited to “to a system in which threshold value is assessed before access class.”¹²⁸ In the infringement proceedings, however, IComm argued that the claims also covered “a system in which access class is assessed before threshold value.”¹²⁹ This outcome is troubling, although there is no data beyond anecdote on the frequency with which a squeeze is successfully applied in parallel proceedings,¹³⁰ let alone on its impact on the overall invalidation rate.

In the United States, until recently the courts and the PTAB also applied different standards to the construction of patent claims. The PTAB gave claim terms their “broadest reasonable interpretation” (BRI), but courts interpreted claims according to their ordinary and customary meanings, generally resulting in a narrower construction.¹³¹ In addition, claims are presumed valid in court,

126. Richard Vary, Presentation to UK Intellectual Property Office, Bifurcation: Bad for Business. Our Experience (Apr. 12, 2012), https://www.unitary-patent.eu/sites/www.unitary-patent.eu/files/nokia_vary_bifurcation.pdf [<https://perma.cc/7WYW-7U3G>].

127. *Id.*

128. *Id.*

129. *Id.*

130. In data on German infringement and invalidity proceedings, a squeeze appears as a case in which infringement is found of a patent that is upheld in the invalidity proceedings. That is, without a direct comparison of claim construction in both proceedings, it is impossible to determine whether a different claim construction was (successfully) applied in both venues.

131. Dreyfuss, *supra* note 20, at 254.

while at the PTO, no such presumption applies. The result was that, with respect to claim construction, the U.S. situation was essentially the opposite of the German one—a broad construction in the venue deciding validity, and a narrower construction in the venue deciding infringement. Because the U.S. system circumscribed the claim construction standard to a greater degree than the German system, the potential for opportunistic claiming was more limited.

D. COORDINATION BETWEEN INFRINGEMENT AND INVALIDITY DETERMINATIONS

Another feature of post-grant reviews that shapes how disputes are resolved is the coordination, or lack thereof, between the post-grant review (invalidity) and infringement proceedings during the “second window.” Unlike “first window” challenges, during which concurrent infringement proceedings are rare, “second window” challenges are often prompted by allegations of infringement. When invalidity can be evaluated either in the “second window” post-grant patent review or by the court hearing the infringement issue, the potential for the post-grant patent administrative reviews to provide a cheaper, more expert alternative or substitute for district court litigation is great. Whether or not proceedings in the two venues actually work together, rather than at cross-purposes, depends crucially on whether or not the infringement court stays its proceedings in light of the patent’s review by another tribunal. As described in the paragraphs that follow, in many jurisdictions in the United States, district courts tend to stay concurrent litigation pending the outcome of the IPR, whereas in Germany, the opposite is true. This Section explores the features and timing that leads to these outcomes.

The tight “interface” between U.S. IPR and U.S. district court proceedings represents one of the major changes to post-grant patent review ushered in by the AIA. Previously, the main form of post-grant patent review was in the form of PTO reexam proceedings, which had no time limits and could last up to nine years.¹³² AIA proceedings, in contrast, are subject to a strict timeline that limits how long an IPR can take. IPRs have to be filed within one year of a parallel litigation, and the PTO has to decide within three to six months whether to institute a review and complete the case within one year if it does.¹³³ Although the PTAB has the ability to extend the time by six months, it rarely does so.¹³⁴

132. See *Matal*, *supra* note 15, at 614.

133. 35 U.S.C. § 316(a)(11) (2012) (the PTAB must determine whether to institute a trial within three months of the earlier of: the patent owner's preliminary response filing or the preliminary response due date, which is due within three months of the petition being filed).

134. *Id.*

If there is parallel litigation, defendants usually request that the district court stay the proceedings. When a stay is requested, the court must consider a number of factors, including potential prejudice to the parties and the ability of the stay to simplify and streamline. Although staying the case means delaying a decision on the merits, the certainty afforded by the strict timeline of IPR, combined with the expert adjudication offered by the three-judge panel, and the chance that a number of the validity issues will be clarified, factors into the judge's decision. District courts grant stays in about half of the cases when an inter partes reexamination is pending, and they grant stays in around 80% of cases where an IPR has been instituted.¹³⁵ If the court decides not to stay the case, the defendant is free to raise invalidity defenses in the litigation.

The interface between German nullity and infringement proceedings is different. Each issue is heard by a court that enters into a deliberative process that is not subject to time limits. The substitution effect is less of an issue as defendants cannot raise “invalidity defenses” to allegations of infringement. However, the failure to stay an infringement proceeding in favor of an invalidity proceeding can lead to a patent being found infringed and enforced, only to be subsequently ruled to have been wrongly issued in the first place. The likelihood of this scenario has potentially broad consequences—if the infringement court is unlikely to consider evidence of invalidity from a parallel forum, a defendant might think twice about spending the extra money required to bring a separate invalidity case. A patentee may feel more emboldened to assert a weak patent that has a strong infringement case. A study considered the prevalence and potential impact, of “invalid and infringed” German patents.¹³⁶ Analyzing patents that were both enforced and challenged from 2000–2008, the study found that 12% of awarded injunctions were based on patents that were later proven invalid.¹³⁷

IV. U.S. (IPR), EUROPEAN (OPPOSITION) AND GERMAN (BPATG) SUBSTANTIVE AND PERFORMANCE-RELATED OUTCOMES

Building upon the last part, this Part discusses how the design features of the post-grant review systems of the United States (IPR), European Opposition, and German (BPatG) revocation proceedings have translated into particular substantive and performance-related outcomes. For parties to post-grant patent reviews are generally most interested in what happens to the

135. See *supra* note 32 for calculation.

136. See Cremers et al., *supra* note 8989, at 219.

137. *Id.*

patent. From a policymaker's perspective, however, several other yardsticks matter: what share of cases benefits from a merits-based decision? How long do they take? And to what extent do procedural factors create an uneven playing field, biasing the outcome in favor of one side or the other? Although the "substantive" outcome of validity rate receives most of the attention, the performance-related outcomes of adjudication rate, time to adjudication, and prejudice to the parties are arguably more important from an institutional design perspective. This Part reviews the substantive and performance-related outcomes of the three venues that have followed from the institutional design choices associated with each system.

A. INVALIDITY RATES AND RATES OF ADJUDICATION

IPRs have been subjected to fierce criticism because of their high rates of patent invalidation. But any invalidation rates must be understood in context, as the share of invalidated patents among all patents whose validity was challenged is the result of a number of selection mechanisms, both as imposed by the U.S. tribunal in the case of the institution decision and by the parties, through their decisions to settle. This means that IPR invalidity rates are neither representative of invalidity rates in the population of granted patents, nor those of litigated patents, nor even those of patents whose validity is challenged in post-grant reviews, but a further subset of all these groups.

Figure 4 depicts the selection of cases for adjudication in the three venues.

The German numbers shown in Fig. 4 are taken from a study based on data from 2000–2008,¹³⁸ and the U.S. data is taken from the PTO's February 2018 update of IPR statistics.¹³⁹ The EPO data is taken from the EPO website¹⁴⁰ with the exception of the 7% undecided rate, which represents settlements, withdrawals, and other situations where the opposition was dropped before a decision, and was obtained from the EPO directly.¹⁴¹

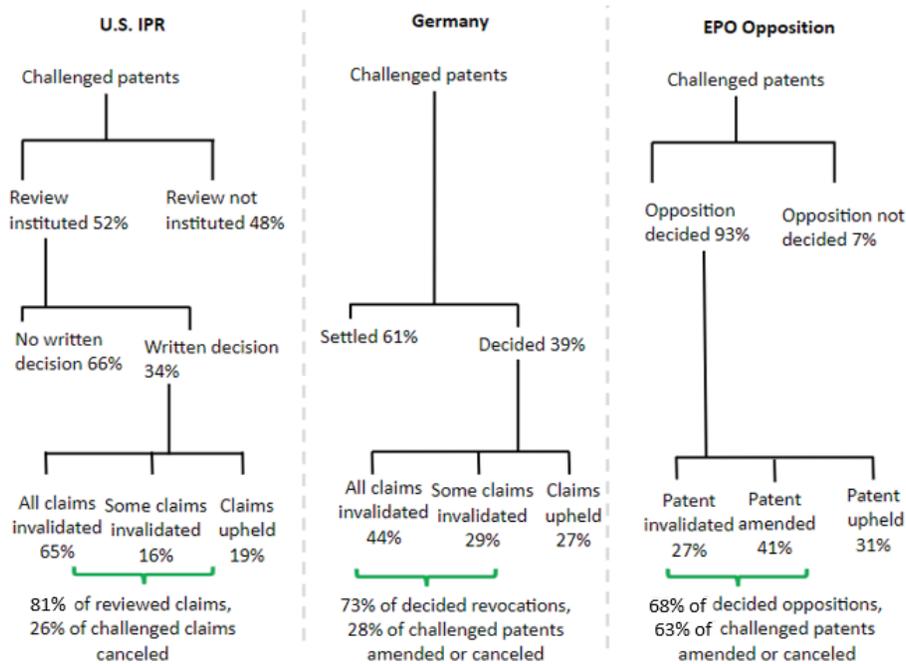
138. *Id.* at 219.

139. See PTAB FEBRUARY STATISTICS, *supra* note 19.

140. See *Annual Report 2017: Searches, examinations, oppositions*, European Patent Office (January 22, 2018), <https://www.epo.org/about-us/annual-reports-statistics/annual-report/2017/statistics/searches.html#tab4> [<https://perma.cc/9JJ6-YDRD>].

141. As we note, U.S. data is available at the claim level, whereas the German data is only available at the patent level. Additionally, the authors obtained data directly from the EPO.

Fig. 4: The Selection and Adjudication of Patents Challenged in Post-Grant Patent Opposition



As Figure 4 shows, in the United States, 81% of decided petitions have been determined to have one or more unpatentable claim,¹⁴² (as compared to a 43% invalidation rate in district court).¹⁴³ In contrast, about 73% of patents challenged in the BPatG and 68% of patents subject to opposition decisions at the EPO are partially or fully revoked.¹⁴⁴

These outcomes vary by industry. For example, within EPO opposition and German revocation proceedings, studies have reported that chemistry patents (which include pharmaceuticals), compared to patents in other industries, are most likely to be revoked or amended than patents in other industries (at a rate of 71% in the EPO,¹⁴⁵ and 83% in German revocation).¹⁴⁶

142. See PTAB FEBRUARY STATISTICS, *supra* note 19.

143. John R. Allison, Mark A. Lemley & David L. Schwartz, *Understanding the Realities of Modern Patent Litigation*, 92 TEX. L. REV. 1769, 1801 (2014)

144. See Cremers et al., *supra* note 30 (the number 73% come from an earlier draft on file with the author).

145. Hall & Harhoff, *supra* note 2, tbl.2.

146. Joachim Henkel & Hans Zischka, *Why Most Patents are Invalid – Extent, Reasons, and Potential Remedies of Patent Invalidity*, tbl.4 (Sept. 29 2014) (unpublished manuscript) (based on data from 2000–2012) <http://www.tim.wi.tum.de/fileadmin/w00bcy/www/>

Based on our analysis, the opposite is true among U.S. IPRs. Among all instituted petitions with a final written decision between 2012 and 2016, around 60% of petitions some or all challenged claims of pharmaceutical patents were invalidated.¹⁴⁷ In contrast, other technology fields such as software or electrical machinery have seen more than 80% of instituted petitions where at least some of the challenged claims were cancelled.¹⁴⁸

A casual comparison of the invalidity rates suggests that, among the three venues, IPR results in the worst outcomes for patentees. However, the U.S. results are inflated by the selection effects introduced by the uniquely American pre-institution phase. When that factor and other settlement-based selection effects are removed, the U.S. invalidation rate shrinks relative to the others, with 26% of *challenged* patents (calculated based on petitions) in U.S. IPRs and 28% of *challenged* patents in German revocation being amended or cancelled. In the EPO, the cancellation or amendment rate is 63% of *challenged* patents.¹⁴⁹

This EPO cancellation or amendment rate is higher, in turn, because of the EPO's high adjudication rate, a performance-based metric that is often overlooked but arguably just as important as the extent to which adjudicated patents are canceled or upheld. An adjudication—a merits-based decision by the court or administrator—clarifies the status of the claims and removes some, though not all, uncertainty from the dispute. On this metric, EPO opposition compares favorably: 93% of opposed patents at the EPO proceed to a decision on the merits, a far higher rate than U.S. IPR or German revocation.¹⁵⁰ This high “decision” rate may be in part because “first window” evaluations often happen in the absence of the stakes and money of litigation that typically drive settlement. But it also may be because EPO opposition proceedings take into account and protect the interests of patentees, making them more willing to endure, rather than opting out (through settlement or revocation) of opposition. Over half of the time when a patent is partially or fully invalidated during opposition, 41% of the 68%, or 60% of the patent is actually amended, not canceled.¹⁵¹ The distinction between partial cancellation and amendment is subtle but important: when patentees amend, they retain some level of control and are able to shape the contours of the patent claim, neither of which are true about partial or full invalidation.

Research/Publications/Henkel/Henkel_Zischka_2015-12_Patent_Validity.pdf
[<https://perma.cc/GWN5-GRBC>].

147. Source on file with authors.

148. Source on file with authors.

149. *See supra* fig.3.

150. *See infra* III.B; *see also supra* fig.3.

151. Source on file with authors

In contrast to the 93% of European oppositions that are decided, only 39% of German nullity cases are decided.¹⁵² The U.S. decision rate is somewhere in between: 48% of IPRs are not instituted (which essentially means that the PTO is confirming the claim's validity) and 34% of the 52% of the petitions that are instituted result in a written decision.¹⁵³ This means, collectively, that about 66% of IPR petitions receive some sort of merits-based adjudication from the PTAB. In contrast, 61% of German nullity cases are settled and do not receive any adjudication, representing a lost opportunity to clarify the status of the claims.

B. TIME TO A MERITS-DECISION

Another important yet overlooked “outcome” metric for comparing the various forms of post grant patent review is how long it takes to get to a merits-based decision. U.S. IPRs are efficient and reliable enough in terms of timing that U.S. district courts grant requests to stay the district court litigation in favor of a co-pending IPR in more than 80% of cases.¹⁵⁴ As a result, a ruling from the PTO is available before the district court decides infringement, and in many cases moots or at informs courtroom adjudication.¹⁵⁵ The opposite is true in Germany, where courts only stay their cases 10–15% of the time in favor of a revocation proceeding.¹⁵⁶

Timing thus has consequences for case outcomes and, in the “second window,” for the prevalence of invalid and infringed patents. It also influences the likelihood that parties will raise post-grant administrative challenges in the first place and whether such challenges will be heard. But timing also impacts “first window” reviews, because first window challenges cast a cloud over the validity of the issued patent. A user survey about opposition conducted by the EPO in 2016 showed that, while 70% of EPO users involved in opposition were either satisfied or very satisfied with opposition, they were much less satisfied, with a 37% satisfaction rate, with the relatively long duration of opposition proceedings at the EPO, which lasted an average of 26.1 months in 2015.¹⁵⁷ Timing and user satisfaction in this way can serve as proxies for administrative efficiency.

152. *See supra* fig.3.

153. *See supra* fig.3.

154. *See* Love & Ambwani, *supra* note 19, at 104 tbl.8.

155. *See* VirtualAgility Inc. v. Salesforce.com, Inc., 759 F.3d 1307, 1314 (Fed. Cir. 2014) (finding that a stay in a CBM case was warranted, in part, because the review could dispose of the entire litigation).

156. *See* Cremers et al., *supra* note 30, at 235 fig.2.

157. EUROPEAN PATENT OFFICE, EPO QUALITY REPORT 2016 25–27, 31–33 (2016).

C. BIFURCATION-RELATED OUTCOMES

One final process outcome relates to the risk of error in the “second window” introduced by a lack of coordination between validity and infringement judgments. As described above, in Germany, the decision not to stay an infringement proceeding in favor of an invalidity proceeding can lead to a patent being found infringed and enforced, only to be subsequently ruled to have been wrongly issued in the first place. Across all German infringement and invalidity cases, the median length of the “injunction gap”—the time between a decision to enjoin and a decision on a patent’s validity—is fourteen months.¹⁵⁸ This means a plaintiff can have more than one year to enforce an injunction obtained based on the infringement decision, even if the infringed patent never should have been issued. Furthermore, the later revocation of the patent by the BPatG does not necessarily prevent enforcement of the infringement judgment. If the revocation is appealed, the remedy from infringement remains fully enforceable. If the patent is eventually fully invalidated, the infringer has the right to petition for restitution for the damage caused by the improperly granted remedy.¹⁵⁹ But while restitution can involve compensation for losses incurred as a consequence of the injunction, it is unlikely to completely undo the harm suffered by the defendant. For example, if the injunction requires rendering accounts to a competitor,¹⁶⁰ a claim for restitution cannot undo the harm caused by the leakage of information to a competitor.¹⁶¹

The possibility of an injunction gap impacts litigant behavior in several ways. First, defendants may be less likely to challenge a patent’s validity because they can be subject to an injunction even if they successfully invalidate the patent.¹⁶² Second, defendants may be more likely to settle invalidity proceedings once infringement has been found to minimize the costs associated with the injunction gap. In particular, if both parties expect the invalidity challenge to be successful, the patentee has incentives to settle to avoid invalidation, and the defendant has incentives to stop the injunction gap and to avoid providing a public good to its competitors by invalidating the patent. Empirical evidence from Germany shows that most settlements of

158. See Cremers et al., *supra* note 30 at 234.

159. See Thomas Kühnen, *A patent held in a binding ruling to have been infringed is subsequently revoked: what happens next?*, 1 OJ EPO 56 (2009).

160. For example, in the case *Dr. Johannes Heidenhain GmbH vs iC-Haus GmbH*, the court found infringement and iC-Haus was forced to disclose sensitive business and financial information although the patent was later invalidated.

161. See Christoph Ann, *Technische Richter in der Patentgerichtsbarkeit—ein Modell mit Perspektive?*, in 50 JAHRE BUNDESPATENTGERICHT—FESTSCHRIFT ZUM 50-JÄHRIGEN BESTEHEN DES BUNDESPATENTGERICHTS 111–27 (2011).

162. See generally Cremers et al., *supra* note 3089.

validity challenges indeed occur shortly after the judgment on infringement was handed down.¹⁶³ Finally, plaintiffs may be more likely to enforce weak patents because of the prospect of some positive payoff during the injunction gap, even if the patent is eventually invalidated.¹⁶⁴

Bifurcation in the United States and Germany raises additional procedural fairness issues. Dual proceedings, rather than a unified system, lead to greater costs and complications, which disproportionately impact smaller parties. Empirical evidence from Germany shows that, in particular, smaller and more resource-constrained firms as well as foreign firms, for whom litigation in Germany is more costly, are less likely to challenge validity in parallel proceedings.¹⁶⁵ It would be worthwhile interrogating the extent to which this is the case in the U.S. as well. However, the fact that multiple defendants have the ability to support an IPR challenge, such as private ordering through groups like Unified Patents, would likely, at least partially, offset the asymmetry. Inversely, it would be worthwhile investigating the extent to which small plaintiffs are systematically disadvantaged by the extra cost and complexity under bifurcation.

V. POLICY IMPLICATIONS

From the previous Part's exploration of several performance-based metrics, including adjudication rate, speed, and procedural fairness, several observations can be made about the relative strengths and weaknesses of each venue. European opposition enjoys the highest share of merits-based adjudication; its amendment practice and consolidation of claims also feel more balanced by protecting the patentee's interests even while the patent is being challenged. However, the relatively long pendency of oppositions (around twenty-four months) appears to present challenges for both the patentee and petitioners.¹⁶⁶

The United States outperforms the EPO on timing and provides a merits decision of sorts through the institution decision within six months of the petition.¹⁶⁷ This supports a rate of adjudication that, while less than that of EPO opposition proceedings, still far outstrips German nullity. However, amendment practice is still quite immature in the United States, with only the patent to lose and seemingly little for the patentee to gain in IPR because patent's survival provides no official buffer from subsequent challenges.

163. *Id.* at tbl.A5.

164. *See id.*

165. *Id.*

166. *See supra* fig.2.

167. Source on file with authors.

In Germany, the playing field is tilted in the opposite direction—the speed of the infringement court prevents invalidity defenses, even strong ones, from mattering too much. Much of this stems from the relatively slow nullity process combined with a strong presumption of validity applied by the regional courts deciding on infringement, which limits stays.¹⁶⁸

A. THE U.S.

In the United States, thus far, the high rate of IPR invalidations has caused great concern. But until now, much of this anxiety has been generated in the absence of a full description regarding how cases are selected for adjudication and without the benefit of knowing parallel experiences. The information presented in this Article should give some comfort to those who are worried about post-grant patent reviews undermining the patent system. The IPR system is set up to review patents that most likely contain invalid claims, not patents in general. Its rates of invalidation, when placed in their proper context, are within range of its counterpart jurisdictions of the EPO and German, which have a reputation for producing “high quality” patents. As Rochelle Dreyfuss said: “many claims deserve to die;”¹⁶⁹ conversely, few claims are worth the expense and trouble of killing. The popularity of the IPR venue and the high rate of cases that receive a decision on the merits in the form of at least an institution decision indicate that it is successfully addressing the public goods nature of patent invalidity and serving the purpose of clarifying the status of questionable claims. However, the selection process does not necessarily imply that the IPR invalidity rate is applicable to issued, or even litigated, patents.

Yet the controversies surrounding post grant patent reviews underscore that it is, at best, a backend process for catching the errors that would have been better off being caught during the frontend patent examination process. Greater attention to preventing patents from being improperly issued in the first place is worthwhile. For example, as one of us has previously found, the PTAB relies upon non-patent literature to a greater degree in IPRs than the examiner corps does in examination.¹⁷⁰ Understanding further why this is the case could provide key insights regarding how to improve pre-grant examination procedures.

In addition, the question of how to make the playing field more level, both as to the rights of patentees and to smaller parties in general, given the high costs of adjudicating in two venues, is worth considering further. As described

168. *See supra* Section III.A.

169. Dreyfuss, *supra* note 20, at 255.

170. Colleen Chien, *Comparative Patent Quality*, 50 ARIZ. ST. L.J. 71 (2018).

earlier, and more extensively below, reconsideration of amendments and serial petitions, could address some of these concerns.

Though unique, the institution decision of IPR is a source of early clarification to the parties, increasing the chance of a merits-based decision. This point should be kept in mind as any changes to the institution decision are considered. Expanding amendment practice, could cut the other way, introducing uncertainty as to the validity and boundaries of the evolving claims. However, further investigations into how to accommodate amendments while preserving IPR's operational efficiency, which is key to supporting IPR's substitutive effect, should be pursued. As the EPO's experience shows, balancing a short pendency with the right to amend is challenging.¹⁷¹

The high infringement court stay rate in the U.S., particularly when contrasted with a much lower stay rate in Germany, is a testament to the reliability and high regard of the courts for the PTAB in the United States. These findings also highlight the importance of the decision to stay infringement proceedings in view of invalidity proceedings. In the German system, where stays are rare, 12% of infringed patents are later found to be invalid, creating an injunction gap that lasts for a median of thirteen and a half months. The U.S. system's timing safeguards, in contrast, minimize the injunction gap.

A final issue for the United States pertains to the balance of rights of patentees in the face of serial challenges. In Europe, a fixed opposition period encourages all oppositions challenging a patent's validity to be grouped together in the procedure. Even when interventions of assumed infringers are filed during pending opposition,¹⁷² the interveners join the existing opposition procedure. In practice, such consolidation is much harder in "second window" review systems. However, it may be worth exploring ways to encourage joining existing IPRs without delaying the proceedings, perhaps by PTAB teams adding a "fourth" member to offset the additional burden introduced by subsequent challengers and keep the proceeding on schedule.

In the EU, the patentee has the option of filing limitation and revocation requests¹⁷³ at any time during the life of a patent. When such requests are filed in parallel to a pending opposition, they take priority, and the opposition procedure is de facto stayed. This means that a patent proprietor facing an opposition can limit the scope of his patent or request its revocation, rendering the opposition superfluous or meaningless. While very few revocation requests

171. See *infra* Section V.B.

172. See EPC art. 105.

173. See *id.* at art. 105(a). A patentee can also request the revocation of his or her patent under Article 105(a). However, this option is far less used than limitation.

are filed yearly, limitation is more frequently requested by patentees because it is a cheap way to centrally fine tune the granted patent even after closure of the opposition period.¹⁷⁴

The United States does provide for this sort of tuning to some degree through the reissue process; however, reissues tend to be used infrequently. Nevertheless, it should be acknowledged that EPO limitation requests may be perceived by third parties as an unfair weapon in the patent proprietor's hands for two reasons: first, after the first window, a third party must go to individual courts in Europe in order to challenge a patent; and second, a patentee, who can claim broadly in examination, could later tailor the claims' scope to cover their competitors' production or the actual market needs.¹⁷⁵

B. GERMANY AND THE EPO

Though this Article declines to provide normative recommendations for EPO and Germany, because they are not the focus of this article. We do make some suggestions, grounded in the observation that no system, no matter how old, is perfect, and that there are often tradeoffs associated with features that, viewed in isolation, might otherwise seem optimal. For example, the speed of German infringement adjudications, while commendable in its own light, has contributed to the “invalid but infringed gap.” The thoroughness of the EPO process, which allows for amendments and the consolidation of multiple challenges, also does contribute to its relatively slow pace, which users have complained about.

To deal with the invalid but infringed gap, we encourage further consideration of one mechanism for balancing competing interests. Building on previous work one of us has done to advance the idea of tailored injunctions, judges may be able to craft “flexible” injunctions that will make it easier to grant stays without harming the patentee's legitimate interests.¹⁷⁶ For example, courts could condition the stay on the party's voluntary estoppel if the petitioner is not a party to the lawsuit or as justice otherwise requires.¹⁷⁷ And when there is not a stay, courts can take measures to minimize the harms associated with an incorrect injunction through bonding, delaying

174. Source on file with authors.

175. See VISSER, *supra* note 74, at Article 105(a). This feature of limitations resembles U.S. “continuation” practice. See Mark Lemley & Kim Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. REV. 63, 66–67 (2003).

176. For an overview of the related concept of tailored injunctions, see Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 32–34 (2012) and Colleen Chien & Eric Schulman, *Patent Semicomparables*, 25 TEX. INTELL. PROP. L.J. 215, 247–250 (2018).

177. We thank David Schwartz for making this point to us.

implementation of injunctions, and other such measures. This is an aspect of bifurcated systems that deserves further analysis.

On that note, it is useful to consider the types of process improvement which should be come to seen, not as defects, but part of a normal recalibration. In July 2016, after consultation with the user community, the EPO significantly reformed its opposition procedure to reduce pendency to fifteen months by 2020. The EPO introduced this transition period in order to ensure that the right to be heard and the ability of the patentees to amend their patents during opposition before the first instance would be preserved, even in the shortened time frame.¹⁷⁸ The EPO's reforms also concentrated opposition cases on a central pool of experienced examiners specializing in opposition for a third of their time and ensured that former members of the examining division would, as a rule, no longer be part of the opposition division after previous procedures had elicited concerns about impartiality.¹⁷⁹

Most of the new features of this new opposition procedure impact "straightforward" cases.¹⁸⁰ More complex oppositions with more than one opponent, for example, are not affected by the streamlining measures because the complexity of these cases required more time for the parties and the opposition division. During this streamlining effort, the EPO implemented three main lines of change. First, requests for time limit extensions, which used to be generously granted, are now only granted in exceptional cases (for example, when long laboratory tests are necessary).¹⁸¹ Second, the EPO implemented the principle of parallel proceedings wherever possible.¹⁸² For example, after receiving the patentee's reply to the notice of opposition, the reply of the patentee is dispatched at the same time to the opponent(s) and to the division which starts to study the case.¹⁸³ In the past, it was usual to limit other parties' counterarguments to the patentee's submission to four months. Third, the EPO rationalized and harmonized its opposition decision process.¹⁸⁴ Apart from the exceptional cases for which the division can take an immediate decision without hearing, the opposition division will issue only one intermediate office action, which is the summons to the oral proceedings.¹⁸⁵ The date of the oral proceedings is set at least six months after issuance of the

178. See European Patent Office, *supra* note 73.

179. Letter from Benoît Battistelli, President, European Patent Office, to Administrative Council: Reorganisation of DG1 and DG2; consolidation and streamlining of the Office structures (June 9, 2017).

180. Source on file with authors.

181. Source on file with authors.

182. Source on file with authors.

183. Source on file with authors.

184. Source on file with authors.

185. Source on file with authors.

summons, and the deadline for filing last submissions is set two months before the date of the oral proceedings.¹⁸⁶ This new procedure, it is hoped, will enable the EPO to reduce the pendency for the straightforward cases down to fifteen months instead of two years or more.

VI. CONCLUSION

The common refrain of this Article—that the details matter—endows agencies with both the responsibility of attending to these details and the power to make significant improvements often of their own accord. In the case of IPR, given the sensitivity of the post-grant process to small design variables, caution should be applied to making changes to a procedure that is working more successfully than its predecessor, *inter partes* reexamination and, arguably, more successfully than the German system, with its lower settlement rate and reduced chance of invalid and infringed outcomes. In particular, to ensure that IPRs continue to provide an efficient, effective alternative to litigation, IPR proceedings should continue to be predictable, timely, and clear. While striking the right balance is never an easy task, comparative experiences can provide inspiration and caution along the way.

186. Source on file with authors.