

# WHAT ADMINISTRATIVE LAW CAN TEACH THE TRADEMARK SYSTEM<sup>†</sup>

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## ABSTRACT

*In 2014, the Patent and Trademark Office (“Trademark Office” or “Agency”) made national headlines when it cancelled the Washington Redskins’ trademark registration. The Washington Redskins, a National Football League team, is valued at a staggering 2.4 billion dollars, of which a substantial portion of this value is attributed to the Washington Redskins brand. Whether the Trademark Office’s cancellation of the mark REDSKINS will be upheld in federal court will depend intimately upon the application of administrative law to the Agency’s decision. Yet the trademark community has tended to pay little attention to administrative jurisprudence and concomitantly the proper standard of review that should be afforded the Trademark Office’s actions. This Article begins to rectify this deficiency by starting to explore, in a comprehensive manner, the intersection of trademark and administrative law.*

*In doing so, it makes two primary contributions. First, this Article argues that the deference jurisprudence of the US Court of Appeals for the Federal Circuit, which hears the majority of Trademark Office appeals, is wrong as a matter of doctrine. More specifically, it contends that the Federal Circuit fails to afford the Agency sufficient deference with respect to both the Trademark Office’s legal and factual determinations. Second, this Article posits that the proper application of administrative law principles to the Trademark Office’s decisions results in a normatively desirable outcome. Affording the Trademark Office’s decisions more deference, and hence elevating the role of the Agency in trademark disputes, ushers the trademark system into the modern administrative era, which has long recognized the deficiencies associated with judge-driven policy.*

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<sup>†</sup> The title is adapted from Stuart Minor Benjamin & Arti K. Rai, *Who’s Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269 (2007).

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## INTRODUCTION

The Washington Redskins, a National Football League (“NFL”) team, is valued at a staggering 2.4 billion dollars, making the franchise the third most lucrative in the NFL.<sup>1</sup> A substantial portion of this value is attributed

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1. Mike Ozanian, *The NFL's Most Valuable Teams*, FORBES (Aug. 20, 2014, 10:01 AM), <http://www.forbes.com/sites/mikeozanian/2014/08/20/the-nfls-most-valuable-teams/>.

to the Washington Redskins brand, which the franchise has sought to protect by federal registration of the REDSKINS trademark.<sup>2</sup> In 2014, the Patent and Trademark Office (“Agency”; “Trademark Office,” when referring to the Agency’s trademark side; or “Patent Office,” when referring to the Agency’s patent side) made national headlines when it cancelled the Washington Redskins’ trademark registration.<sup>3</sup> In denying federal registration to the term REDSKINS, the Trademark Office held that the term was disparaging to a substantial composite of Native Americans during the time the registration was sought.<sup>4</sup> The Washington Redskins franchise immediately appealed the Agency’s decision.<sup>5</sup>

Whether the Trademark Office’s cancellation of the mark REDSKINS registration will be upheld in federal court will likely depend intimately upon the application of administrative law to the Agency’s decision,<sup>6</sup> at least to the extent the Trademark Act’s ban on registering disparaging marks is constitutional.<sup>7</sup> Yet the trademark community has tended to pay little attention to administrative jurisprudence and concomitantly the proper standards of review that should be afforded the Trademark Office’s

2. *See id.*

3. *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d (BNA) 1080 (T.T.A.B. 2014); *see also* Ken Belson & Edward Wyatt, *Redskins Lose on Trademarks, but Fight Isn’t Over*, N.Y. TIMES, June 19, 2014, at B12; Jacob Gershman, Ashby Jones & Kevin Clark, *Redskins Lose at Name Game*, WALL ST. J., June 19, 2014, at A1; Theresa Vargas, *U.S. Patent Office Cancels Redskins Trademark Registration, Says Name Is Disparaging*, WASH. POST (June 18, 2014), [https://www.washingtonpost.com/local/us-patent-office-cancels-redskins-trademark-registration-says-name-is-disparaging/2014/06/18/e7737bb8-f6ee-11e3-8aa9-dad2ec039789\\_story.html](https://www.washingtonpost.com/local/us-patent-office-cancels-redskins-trademark-registration-says-name-is-disparaging/2014/06/18/e7737bb8-f6ee-11e3-8aa9-dad2ec039789_story.html).

4. The decision actually cancelled six REDSKINS registrations associated with football services that were filed from 1967 to 1990. *Blackhorse*, 111 U.S.P.Q.2d at 1083. To the extent the case is decided on First Amendment grounds, the standard of review afforded to the Trademark Office’s decision will be less salient.

5. *Complaint, Pro-Football, Inc. v. Blackhorse*, 62 F. Supp. 3d (E.D. Va. 2014) (No. 1:14-cv-1043-GBL-IDD).

6. Paul R. Michel, *Advocacy in the Federal Circuit*, C961 ALI-ABA \*5, \*8 (1994) (“One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize.”). It should be noted that the Washington Redskins franchise chose to appeal the Trademark Office’s decision to a federal district court rather than directly to the Federal Circuit.

7. Of course, to the extent the case is decided on First Amendment grounds, the standard of review afforded to the Trademark Office’s decision will be less significant. Agencies receive no deference when interpreting statutes they do not administer, such as the Constitution. *See infra* note 95 and accompanying text.

The First Amendment issue has become more pressing as the case has progressed. Recently, the US Court of Appeals for the Federal Circuit held that Section 2(a) of the Lanham Act, which bars registration of marks that “disparage” a group of persons, unconstitutionally infringes free speech. *In re Tam*, 808 F.3d 1321, 1358 (Fed. Cir. 2015) (en banc). To the extent the Federal Circuit’s decision is upheld by the Supreme Court, or followed by other circuits, the deference owed the Trademark Trial and Appeal Board’s cancellation of six REDSKINS registrations is moot.

actions.<sup>8</sup> The lack of serious substantive engagement of trademark law with administrative law is surprising, given that Supreme Court intervention in 1999 made clear that standard administrative law norms—including the Administrative Procedure Act (“APA”)<sup>9</sup>—applied to the Patent and Trademark Office.<sup>10</sup> This Article begins to rectify this deficiency by starting to explore, in a comprehensive manner, the intersection of trademark and administrative law.<sup>11</sup> With respect to the judicial side of this intersection, this Article examines all federal courts but primarily focuses on the US Court of Appeals for the Federal Circuit (“Federal Circuit”), as this appellate court hears the majority of appeals of Trademark Office decisions.<sup>12</sup>

This Article makes two primary contributions. First, it argues that the Federal Circuit’s deference jurisprudence with respect to the Trademark Office’s decisions is wrong as a matter of doctrine. More specifically, it contends that the Federal Circuit fails to afford the Trademark Office sufficient deference with respect to both the Agency’s legal *and* factual determinations.<sup>13</sup> Second, this Article posits that the proper application of administrative law principles to the Trademark Office’s decisions results in a normatively desirable outcome.<sup>14</sup> Affording the Trademark Office’s decisions more deference, and hence elevating the role of the Agency in trademark disputes, ushers the trademark system into the modern administrative era, which has long recognized the deficiencies associated with judge-driven policy.<sup>15</sup> That is, it sets the institutional foundation for

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8. Only a handful of commentators have explored these issues. *See, e.g.*, Theodore H. Davis, Jr., *Deference to United States Patent and Trademark Office Determinations by Federal District Courts and the Regional Circuit Courts of Appeals*, 87 TRADEMARK REP. 1 (1997); Jonathan S. Digby, Note, *What’s the Deference?: Should Dickinson v. Zurko Apply in the Trademark Context?*, 15 J. INTEL. PROP. L. 173 (2007); Hope Hamilton, Note, *Parsing the Standard of Review Puzzle: How Much Deference Should Federal District Courts Afford Trademark Trial and Appeal Board Decisions?*, 12 FED. CIR. B.J. 489 (2003); Richard L. Kirkpatrick, *Likelihood of Confusion Issues: The Federal Circuit’s Standard of Review*, 40 AM. U. L. REV. 1221 (1991).

9. 5 U.S.C. §§ 551–559 (2012).

10. *See Dickinson v. Zurko*, 527 U.S. 150, 165 (1999) (rejecting the Federal Circuit’s application of pre-APA standards to its review of the Trademark Office’s fact-finding).

11. Such an account necessarily focuses on trademark validity rather than defenses to trademark infringement, which are more specific to trademark infringement lawsuits in federal courts.

12. There are two avenues by which to challenge the rights associated with a trademark. The first is through administrative proceedings before the Trademark Office, which can be appealed to federal court. The second is through infringement actions filed directly in federal court. This Article examines only the former.

13. *See infra* Part II.

14. *See infra* Part III.

15. *See* Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 723, 772 (2004) (lamenting that trademark law has evolved on the basis of “personal intuition and subjective, internalized stereotypes,” not on “specific and persuasive evidence about consumer behavior”); Cass

infusing evidence-driven policymaking into the trademark system, enabling the tailoring of trademark standards to advance the system's primary goal: decreasing consumer search costs while not overly restricting competition in the marketplace.

The literature's failure to conduct a systematic analysis of the application of administrative law to the Trademark Office's actions is surprising because the stakes are high. Trademarks are the most widely utilized form of intellectual property.<sup>16</sup> Businesses in almost every sector of the economy rely upon trademarks to protect their brands.<sup>17</sup> Although denying federal registration of a mark will not force an organization to stop using the mark or divest a mark from its common law protections, it will almost certainly result in negative legal and financial repercussions to the organization, both in the United States and abroad.<sup>18</sup> Moreover, there are several reasons to believe that the import of federal registration will continue to increase in the future; making the question of what standards of review should govern the Trademark Office's determinations all the more salient. For instance, the Supreme Court recently made clear that the Trademark Office's decision to uphold or deny federal registration of a mark could have preclusive effect on a later infringement action involving the same mark.<sup>19</sup> In addition, several court opinions have suggested that denying federal registration to a mark forecloses the possibility of pursuing a federal unfair competition claim under the Lanham Act—meaning only state law protection would remain.<sup>20</sup> To the extent that the Trademark Office holds certain advantages in crafting the substantive standards of trademark law to reflect the trademark system's normative goals, the standards of deference applied to the Trademark Office's

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R. Sunstein, *Law and Administration After Chevron*, 90 COLUM. L. REV. 2071, 2079 (1990) ("For the twentieth century reformers, courts lacked the flexibility, powers of coordination, initiative, democratic accountability, and expertise necessary to deal with complex social problems.").

16. See WORLD INTELL. PROP. ORG., 2013 WORLD INTELLECTUAL PROPERTY REPORT: BRANDS—REPUTATION AND IMAGE IN THE GLOBAL MARKETPLACE 87 (2013).

17. *Id.*

18. For instance, the cancellation of a mark will dilute the legal protection it receives against infringement, hinder the organization's ability to block counterfeit merchandise from entering the country, and preclude the possibility of treble damages and criminal penalties for counterfeiting. See 15 U.S.C. § 1124 (2012) (forbidding any authorized goods bearing a registered trademark entrance into the country). At least one commentator has suggested that the Trademark Office's ruling against the Washington Redskins is at least partially responsible for the thirty-five percent drop in sales of Washington Redskins' merchandise this past year. Chris Isidore, *Redskins Gear Stiff-armed by Fans*, CNN MONEY (Sept. 4, 2014, 3:57 PM), <http://money.cnn.com/2014/09/04/news/companies/redskins-merchandise/>.

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

20. See *infra* note 29.

decisions have significant ramifications for the marketplace and for the evolution of trademark law and policy.

The remainder of this Article is structured as follows. Part I introduces the goals of trademark law, the administrative process associated with trademark registration, and the manner in which determinations of registration by the Trademark Office seek to implement those goals. Part II analyzes how existing administrative law jurisprudence applies to the Trademark Office's decision-making. It concludes that the Federal Circuit's deference doctrine is legally incorrect. More specifically, it contends the Federal Circuit fails to afford both the Trademark Office's factual and legal determinations sufficient deference. Part III examines some implications of elevating the role of the Trademark Office in the trademark system. Part IV turns to normative considerations, addressing what form of judicial review of the Trademark Office's decisions would be attractive. This Part maintains that the Trademark Office has a comparative institutional advantage over the Federal Circuit and further argues that the Federal Circuit does not emerge as a clear winner with respect to the comparative risk of interest group influence. Consequently, Part IV concludes that this shift in power dynamics between the Trademark Office and the judiciary that results from the proper application of administrative law jurisprudence to the Trademark Office's decision-making is normatively desirable.

#### I. USING TRADEMARK REGISTRATIONS TO IMPLEMENT THE GOALS OF TRADEMARK LAW

In this Part, I present a brief summary of the primary normative goal of trademark law, the manner in which the inquiry into trademark registration fosters this goal, and the administrative process associated with federal trademark registration.

##### A. *The Primary Goal of Trademark Law*

According to the dominant view, the primary normative goal of trademark law is to reduce the costs to a consumer of searching for goods that satisfy her preferences without overly restricting marketplace competition.<sup>21</sup> This theory posits that by acting as a repository of

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21. The vast majority of scholars use the rhetoric of search costs to describe the normative goals of trademark law. *See, e.g.*, WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167 (2003) (summarizing consumer search costs literature); Stacey

information about the source and quality of products, marks diminish consumer deception and confusion while concomitantly decreasing unfair competition to producers.<sup>22</sup> For instance, trademark protection enables consumers who are shopping for a new computer to rely on the presence of the APPLE mark as an indicator of the quality of the computer to which that mark is affixed. Consumers who previously had a good experience with APPLE computers can simply look for the APPLE mark the next time they go computer shopping. First-time customers can rely on the APPLE mark as shorthand for information they have learned from advertising or by word of mouth. Because trademark law “helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product,”<sup>23</sup> the producer of APPLE computers has an incentive to produce goods of a consistent quality.<sup>24</sup>

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L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223, 1223 (2007) (noting that scholars and courts generally endorse the search costs theory of trademark law); Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67, 75 (2012) (stating that an “overwhelming majority of scholars use search costs language to describe trademark law’s purposes”). Furthermore, the Supreme Court jurisprudence recognized that trademark law’s core theoretical justification is to reduce consumer search costs. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (citation omitted) (quoting 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.01[2], at 2–3 (3d ed. 1994)) (“[T]rademark law, by preventing others from copying a source-identifying mark, ‘reduce[s] the customer’s costs of shopping and making purchasing decisions,’ for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past.”).

Although the dominant theoretical account of trademark law is rooted in economics, scholars have posited other justifications for trademark protection. For instance, Barton Beebe has argued a “semiotic” account of trademark law that considers consumers’ demand for “signs, distinctions, [and] differences.” Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 704 (2004). Robert Bone has argued that moral arguments such as intentional deception should be treated differently than economic concerns. Robert G. Bone, *Taking the Confusion out of “Likelihood of Confusion”*: *Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307, 1350–53 (2012). Others have argued that additional values, such as the First Amendment, should play a larger role in the development of trademark jurisprudence. See Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381 (2008) (arguing that trademark law should be subject to more First Amendment scrutiny than it currently is); Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 S.C. L. REV. 737, 756 (2007) (noting that while she is “largely in favor of core trademark infringement doctrine as it stands now,” the author nevertheless believes that trademark law should be treated more consistently with other commercial speech for First Amendment purposes).

22. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268–70 (1987).

23. *Qualitex Co.*, 514 U.S. at 164.

24. See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2108 (2004) (“[I]f consumers lacked the ability to distinguish one brand from another, firms would have no reason to create brands with more costly but higher quality characteristics.”).

Importantly, trademark law seeks to balance reducing consumer search costs against overly restricting market competition.<sup>25</sup> That is, while trademark law aims to prevent third parties from unfairly profiting by trading on the reputation of the sellers of the originally desired goods, it does not give trademark holders absolute control over the uses of their marks. Doing so could result in the economic efficiency gains associated with trademarks being outweighed by the negative effect trademarks have on marketplace competition. If this occurs, trademarks may no longer remain socially useful tools.

### *B. The Inquiry into Trademark Registration*

Trademarks are governed by both state and federal law. However, the Lanham Act, the source of federal trademark law, now nearly dominates the legal landscape.<sup>26</sup> The US trademark system is often referred to as a “use-based” in contrast to a “registration-based” system.<sup>27</sup> The exclusive rights associated with a mark that otherwise qualify for protection are typically acquired by use of the mark in commerce.<sup>28</sup> Federal registration of a mark with the Trademark Office is not required for a trademark to become protected.<sup>29</sup> Moreover, the Lanham Act does not protect a

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25. See Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 788–99 (2004) (discussing how trademark law seeks to reduce consumer search costs without overly restricting marketplace competition).

26. See, e.g., Dolores K. Hanna et al., *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 377 (1987) (“Federal trademark registration, Section 43(a), and the engulfing sweep of interstate commerce have given the law and policy of trademarks a strongly federal cast. The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever.”); Lee Ann W. Lockridge, *Abolishing State Trademark Registrations*, 29 CARDOZO ARTS & ENT. L.J. 597, 604–05 (2011) (summarizing the dominance of federal law in the shaping of trademark rights).

For a persuasive argument that state law has played less of a role in the development of trademark law than generally believed, see Mark P. McKenna, *Trademark Law’s Faux Federalism*, in INTELLECTUAL PROPERTY AND THE COMMON LAW 288 (Shyamkrishna Balganesh ed., 2015).

27. Registration-based trademark systems are more common than use-based systems. See, e.g., Graeme B. Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT’L ECON. L. 495, 496 (2000) (“[F]or over a century the United States has steadfastly resisted adoption of a registration-based system of trademark priority and has adhered instead to a use-based philosophy.”).

28. *United States v. Steffens (Trademark Cases)*, 100 U.S. 82 (1879); *Sengoku Works Ltd. v. RMC Int’l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996) (“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.”).

29. In fact, there is some disagreement as to whether a mark that is denied federal registration can be enforced as an unregistered mark under § 43(a), the unfair competition claim of the Lanham Act. Recently, a district court decision held that marks barred from registration could not be enforced

trademark registrant's exclusive rights in its mark if she is no longer using the mark in commerce and cannot prove an impending intent to do so.<sup>30</sup> As a result, registration of a mark with the Trademark Office is conventionally thought of as merely recording the existence of a right that had been externally created.<sup>31</sup>

Nevertheless, even in the American use-based system, federal registration of a mark substantially enhances the rights of trademark owners established by mere "common law" use by conferring a number of important legal rights and benefits on the registering party.<sup>32</sup> For instance, registration provides prima facie evidence of the validity of the mark, the registrant's ownership of the mark, and the registrant's exclusive right to use the mark in commerce in the United States in connection with the goods and services listed in the certificate.<sup>33</sup> It also provides the trademark registrant with a "right of priority, nationwide in effect," against anyone else in the nation who uses the registered mark after the date of application.<sup>34</sup> Moreover, once a mark has been registered for five years, it can become "incontestable," which limits the grounds upon which the mark's validity may be challenged.<sup>35</sup> Federal registration enables a markholder to sue in federal courts to enforce her trademark<sup>36</sup> and possibly recover treble damages upon a showing of willful infringement.<sup>37</sup> Another significant advantage that flows from federal registration is the ability to obtain the assistance of US Customs and Border Protection in restricting

under § 43(a). See *Renna v. Cnty. of Union, N.J.*, 88 F. Supp. 3d 310 (D.N.J. 2014). And at least one Federal Circuit judge has also taken this position. See *In re Tam*, 785 F.3d 567, 576 (Fed. Cir. 2015) (Moore, J., concurring) ("Equally clear, however, is that § 43(a) protection is only available for unregistered trademarks *that could have qualified for federal registration.*"). Nevertheless, several trademark scholars suggest otherwise. See, e.g., Mark P. McKenna, *The Implications of Blackhorse v. Pro-Football, Inc.*, PATENTLY-O (June 19, 2014), archived at <http://perma.cc/N6LY-QZCR>.

30. 15 U.S.C. § 1051(d) (2012) (requiring an applicant to submit a statement that the mark is being used in commerce); *id.* § 1127 ("A mark shall be deemed to be 'abandoned' if . . . its use has been discontinued with intent not to resume such use.")

31. See, e.g., *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980) ("[F]ederal registration . . . does not create the underlying right in a trademark. That right, which accrues from the use of a particular name or symbol, is essentially a common law property right . . ."); Landes & Posner, *supra* note 22, at 282 ("Registration under the Lanham Act does not confer a property right without use . . .").

32. *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1300 (2015) ("The Lanham Act confers 'important legal rights and benefits' on trademark owners who register their marks.")

33. 15 U.S.C. § 1057(b) (2012).

34. *Id.* § 1057(c).

35. *Id.* § 1115(b)(5)–(6). This advantage is especially important for "descriptive" marks, as an incontestable mark can no longer be challenged for lacking "secondary meaning" as designation of source.

36. *Id.* § 1121.

37. *Id.* § 1117.

importation of infringing or counterfeit goods, which substantially enhances a markholder's ability to block infringing merchandise from entering the country.<sup>38</sup> These benefits are so significant that it is commonplace for owners seeking protection of trademark rights to file for federal registration.<sup>39</sup>

To obtain federal registration of a trademark on the principal register, the mark's owner must file an application with the Trademark Office and persuade the Agency that her trademark meets the registration requirements.<sup>40</sup> The name "registration," however, is something of a misnomer as the proceedings before the Trademark Office more closely resemble a substantive examination than a perfunctory registration system.<sup>41</sup> The Trademark Office may reject a registration on any number of procedural and substantive grounds, the latter of which incorporate the basic doctrinal principles that govern the validity of a trademark.<sup>42</sup> Many of these substantive grounds or doctrinal considerations can be seen as effectuating the primary normative goal of trademark law: enabling the public to easily identify a particular product from a particular source without unduly restricting orderly competition—competition whereby one firm does not inappropriately take advantage of another firm's brand.

For instance, while marks can include anything to which a consumer may attach significance or meaning—such as any letter, product design, or even a color or scent<sup>43</sup>—the rules that limit what can serve as a trademark

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38. *See id.* § 1124; 19 U.S.C. § 1526 (2012).

39. Lockridge, *supra* note 26, at 605 (noting that "federal registration [is] indispensable for any owner making an informed decision about its trademark rights"). Registration is far more common for words marks than for trade dress.

40. The Lanham Act establishes two separate registers, principal and supplemental, for federal trademark registrations. Trademarks and service marks that identify the goods or services of one manufacturer and distinguish them from another—that is, are distinctive—are eligible for registration on the principal register. 15 U.S.C. §§ 1051–1072 (2012). In contrast, designations that do not perform this function but are instead merely descriptive, deceptively misdescriptive, primarily geographically descriptive, or product configurations that lack acquired distinctiveness, among other things, may be registered on the supplemental register. *Id.* §§ 1091–1096. The principal register registrations enjoy a number of substantive and procedural advantages that do not accrue to the supplemental register registrations.

41. GRAEME B. DINWOODIE & MARK D. JANIS, TRADEMARKS AND UNFAIR COMPETITION 305 (2d ed. 2007) (noting that the "U.S. 'registration' system is closer conceptually in character to an examination system").

42. 15 U.S.C. § 1052 (a)–(f) (2012).

43. 15 U.S.C. § 1127 provides:

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those

are almost entirely based upon the informational potential of a symbol, and hence the potential of the mark to overly restrict marketplace competition. The requirement of distinctiveness—the ability of a mark to identify the source of goods or services and distinguish those products from others in the marketplace—is rooted in the idea that there are some symbols that consumers will realize are source-identifying and some that are not.<sup>44</sup> Marks that are “fanciful”—comprised of coined terms—automatically meet the distinctiveness requirement. Granting trademarks to coined terms also does not unduly restrict marketplace competition, as competitors should not be severely disadvantaged from losing the ability to describe their products by coined terms. In contrast, marks that are merely descriptive—that describe some characteristic of the product—must have “secondary meaning,” evidence that the public associates the word with the product to be registered.<sup>45</sup> Because consumers presumably are less likely to identify descriptive words as source-identifiers, these marks could potentially fail to decrease the search costs of consumers. Additionally, requiring secondary meaning before a descriptive word can be registered helps guard against overly inhibiting marketplace competition by unnecessarily limiting a competitor’s ability to characterize their product. Similarly, it is not possible to use generic signs—terms that identify the class of products (e.g., aspirin or yo-yo)—as trademarks because these terms provide no specific information-conveying effect and would also overly restrict competition in the marketplace.<sup>46</sup> That is, allowing a party to claim rights in a term “that refers, or has come to be understood as referring, to the genus of which the particular product is a species”<sup>47</sup> would inhibit the ability of competitors to explain what they are selling without providing a sufficient reduction in consumer search costs, as consumers may be misled if what they believe is a generic term is in fact sold by only one company.

In addition to the distinctiveness requirement, many of the other trademark validity doctrines reflect these guiding principles. For instance,

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manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

*Id.* § 1127; *see also* *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (finding that the Lanham Act does not prohibit the use of color alone as a trademark).

44. 15 U.S.C. § 1127 (defining “trademark” and “service mark” as words or designs used “to identify and distinguish” goods or services).

45. *Id.* § 1052(e)(1) (refusing the registration of a mark that is “merely descriptive” unless the applicant proves some level of acquired distinctiveness).

46. *Id.*; *see also* *Dogan & Lemley*, *supra* note 25, at 793.

47. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d. Cir. 1976).

no mark can be registered if it is likely to confuse consumers about the source of that mark's goods or services, as this kind of confusion undermines the informational efficiencies gained by using trademarks in the first place.<sup>48</sup> Similarly, the ability to cancel or oppose the registration of a mark that dilutes a famous mark also reflects a balance between reducing consumer search costs and overly restricting marketplace competition.<sup>49</sup> The doctrine of dilution seeks to ban the registration of marks that "blur" a unique mark but only to the extent such "blurring" results in increasing consumer search costs.<sup>50</sup> That is, dilution law permits uses such as commentary and comparative advertising that actually facilitate consumer search while concomitantly allowing for robust competition in the marketplace.<sup>51</sup>

Undoubtedly, the registration system also serves others functions that are distinct from, but may be complementary to, the primary goal underlying the protection of trademarks.<sup>52</sup> For instance, from a markholder's perspective, federal registration provides the benefit of greater certainty as registered marks can become incontestable, are presumed to be valid, and are afforded nationwide priority.<sup>53</sup> Alternatively, from a public perspective, the trademark registration system reduces "business clearance costs by enabling those engaged in trade to discover quickly and cheaply which signs third parties have already claimed."<sup>54</sup> Businesses who are considering multiple new names may be able to decrease their search costs by eliminating at least some possibilities after reviewing the register. Nevertheless, the Agency's application of the core substantive validity standards during a registration determination arguably aligns more closely with the trademark function of reducing consumer search costs than with other goals. The enhanced certainty that markholders receive upon registering their marks flows directly from

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48. See 15 U.S.C. § 1052(d).

49. See *id.* §§ 1063–1064.

50. See *id.* § 1125 (providing federal cause of action for trademark dilution).

51. *Id.* § 1125(c)(3) (exempting comparative commercial advertising, noncommercial use, and news reporting).

52. Additionally, while many of the substantive requirements for registering a mark reflect the guiding principle of enabling the public to easily identify a particular product from a particular source without unduly restricting market competition, not all bans on mark registrations do. For instance, the ban of registering marks that are of immoral or scandalous matter, disparage, or comprise flag or coat of arms obviously animate concerns other than the dominant consumer-oriented approach. See *id.* § 1052(a)–(b).

53. See *supra* notes 33–35.

54. See Robert Burrell & Michael Handler, *Dilution and Trademark Registration 4* (Univ. of Queensland, Austl., Legal Studies Research Paper Series, Research Paper No. 08-06, 2008), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1144362](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1144362).

statutory provisions of the Lanham Act, which confer these advantages upon a mark's registration. The increased certainty afforded registered marks does not provide a guiding principal as to which, among various legal constructions of validity doctrines, the Agency should choose. The same holds for the informational function of the registration system. Although reducing business clearance costs is predicated on the registration containing valuable information, and hence valid marks, this goal of the registry says nothing as to how the validity standards should be determined or what those standards should try to achieve. That is, the public information function of the federal registration system would be satisfied as long as only valid marks were registered, regardless of what is the underlying goal of the core substantive standards of trademarks. Finally, it is not lost on the author that the Trademark Office does not actually determine the validity of a mark—technically, only courts make such a determination during a trademark validity or infringement suit—the Agency decides only whether a mark should be registered. Importantly, Part III of this Article demonstrates how the Trademark Office's legal interpretations of ambiguous terms of the Lanham Act can affect the decision-making of federal courts, not only in registration determinations, but also in trademark validity decisions.

### *C. The Formality Associated with the Trademark Registration Process*

Because the deference owed to an agency's decision depends in part on the formality associated with the underlying proceeding, this Subpart's summary of the trademark registration process highlights the formality associated with each of the four statutorily authorized adjudications of trademark registrations conducted by the Trademark Office. The initial determination by the Trademark Office of whether a mark meets the federal registration requirements is largely informal in nature. It occurs *ex parte*, meaning only the applicant (and perhaps also the applicant's attorney) and a low-ranking official of the Agency, known as an examining attorney, are parties to the proceeding. If the examining attorney finds grounds for refusing registration, she will issue an "office action" informing the applicant of the reasons why registration is denied. The applicant then can argue the examiner is incorrect or amend the application to attempt to moot the grounds for refusal. This process may occur several times until the examiner either approves the applicant or finally refuses to register the mark. As a result, the initial registration determination proceeds through a series of negotiations between the

applicant and the examining trademark attorney, wherein the former tries to convince the latter that the mark should be registered.

Beyond the authority to make this initial registration determination, the Trademark Office also has the statutory authority to adjudicate both trademark denials and trademark grants of registration. If the examining attorney determines that the mark should not be registered, the aggrieved applicant can appeal the decision to the Trademark Trial and Appeal Board (“TTAB”), an administrative tribunal within the Trademark Office composed of administrative trademark judges and high-ranking Patent and Trademark Office officials, including the Director of the Patent and Trademark Office and the Commissioner of Trademarks.<sup>55</sup> The process by which the Board reviews trademark denials is more formal than the process by which the Trademark Office makes the initial registration decisions. However, the process by which the Board reviews trademark denials does not approximate a judicial proceeding in court. Because typically only the aggrieved registrant is a party to a trademark denial proceeding, there is no cross-examination of witnesses or any compelling need for the strict safeguards associated with an adversary adjudication.<sup>56</sup> Nevertheless, the aggrieved trademark registrant can request an oral argument and there are situations—for instance, when a third party submits a letter of protest—where heightened evidentiary standards associated with the Federal Rules of Civil Procedure apply.<sup>57</sup>

If the examining attorney approves the mark for registration, there are two avenues by which a third party who believes she would be damaged by the registration of a mark may challenge the trademark examiner’s determination before the Trademark Office. First, for a limited time period after this initial registration determination, interested parties may challenge the validity of the registration by initiating an administrative “opposition” proceeding before the TTAB.<sup>58</sup> Second, after the opposition period has expired and the registration issues, the public may still attack the trademark grant by initiating an administrative proceeding before the

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55. 15 U.S.C. § 1070 (2012). The TTAB is composed of at least three of the Director, Deputy Director of the United States Patent and Trademark office, the Commissioner for Patents, the Commissioner for Trademarks, and administrative trademark judges who are appointed by the Secretary of Commerce in consultation with the Director. *Id.* § 1067.

56. *See* PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 1208 (2015), *available at* <http://www.uspto.gov/trademarks-application-process/appealing-trademark-decisions/tbmp-preface> [hereinafter TBMP].

57. *Id.* §§ 1208, 1216.

58. 15 U.S.C. § 1063(a) (2012). Oppositions must be filed within thirty days of the publication of the trademark. *Id.*

TTAB to cancel the registration.<sup>59</sup> The grounds for which a third party may oppose a registration of a mark are larger than those that the examining attorney can consider in making the initial registration decision.<sup>60</sup> For five years after the initial grant of registration, the grounds for cancelling a mark are the same as opposing a mark.<sup>61</sup> Thereafter, the substantive grounds upon which a third party can cancel a registration narrow, leading to the mark becoming “incontestable.”<sup>62</sup>

These inter partes proceedings before the TTAB are more formal than both the initial trademark registration decision and trademark denial proceedings. That is, the adjudication of registration grants is designed to roughly approximate civil action in federal court.<sup>63</sup> For instance, these inter partes proceedings are largely governed by the Federal Rules of Civil Procedure.<sup>64</sup> The TTAB allows discovery and depositions and the party opposing registration bears the burden of proof.<sup>65</sup> Although there is no live testimony before the TTAB—proceedings before the Board are conducted in writing—the TTAB allows parties to submit transcribed testimony, taken under oath and subject to cross-examination.<sup>66</sup> Parties to TTAB proceedings may also request oral argument.<sup>67</sup>

Adjudications of trademark registration grants or denials by the TTAB can be appealed to the Federal Circuit on the record generated in Trademark Office proceedings or may be challenged in a civil action in federal district court (where additional discovery may be taken and new evidence submitted).<sup>68</sup> Once a party appeals a TTAB decision to a federal district court, the Federal Circuit’s jurisdiction is divested. Subsequent appeals of district court decisions are to be taken to the regional circuits.<sup>69</sup>

59. *Id.* § 1064. A third party may oppose the registration of a mark for any substantive ground the examining attorney must consider when making the initial registration decision plus two additional substantive grounds: dilution by tarnishment and dilution by blurring. *Id.*

60. *See id.* §§ 1067–1068.

61. *Id.* §§ 1064(1)–(3), 1065.

62. *Id.* § 1065.

63. *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1300 (2015) (quoting PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 102.03 (2014)) (describing “opposition proceedings before the TTAB” as “similar to a civil action in a federal district court”).

64. Rules of Practice in Trademark Cases, 37 C.F.R. §§ 2.116(a), 2.122(a) (2016).

65. *Id.* §§ 2.120, 2.123(a), 2.116(b).

66. TBMP, *supra* note 56, § 102.03; 37 C.F.R. § 2.123.

67. 37 C.F.R. § 2.129.

68. 15 U.S.C. § 1071 (2012). The appeal to the Federal Circuit is limited to the issues raised and the record established before the Board. *Id.* § 1071(a)(4). The appeal to the district court is by way of civil action and is a de novo proceeding. *Id.* § 1071(b)(1).

69. *Id.* § 1121; *see also Williams v. Dep’t of the Army*, 715 F.2d 1485, 1490 n.5 (Fed. Cir. 1983).

Despite having two different routes to appeal TTAB decisions, aggrieved parties historically have overwhelmingly favored appeal to the Federal Circuit over pursuing civil action.<sup>70</sup> As a result, the primary focus of this Article is the application of administrative law principles to Trademark Office decisions that are directly appealed to the Federal Circuit. Nevertheless, for completeness, this Article also examines the deference standards applied by the regional appellate circuits with respect to the Trademark Office's decisions that were initially appealed to a federal district court.

## II. THE TRADEMARK OFFICE AND ADMINISTRATIVE LAW DOCTRINE

This Part discusses how, as a matter of formal doctrine, administrative law principles apply to review of the Trademark Office's decision-making announced in TTAB proceedings. It then briefly summarizes current administrative jurisprudence with respect to the review of an agency's legal and factual determinations and then turns to applying this doctrine to the Trademark Office's decisions. Although this Part examines the deference doctrine of all regional circuits, it primarily focuses on the Federal Circuit. In doing so, it argues that the appellate court fails to provide the Trademark Office's decisions sufficient deference with respect to both the Agency's legal and factual determinations. Notably, this Article's focus is the deference standard that should apply to TTAB decisions and not the initial registration determinations made by an examining attorney, as the latter decision cannot be immediately appealed to a court.

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70. Email from Denis DelGizzi, Technical Program Manager, Trademark Trial & Appeal Bd., U.S. Patent & Trademark Office, to Melissa F. Wasserman, Associate Professor, Univ. of Ill. Coll. of Law (Apr. 2, 2015, 2:19 PM CST) (on file with author) (noting that—of the seventy-six pending cases on appeal from the TTAB as of April 2, 2015—twenty of the twenty-five *ex parte* appeals were before the Federal Circuit, seventeen of the thirty *inter partes* opposition proceedings were before the Federal Circuit, and ten of the twenty-one cancellation proceedings were before the Federal Circuit). Moreover, cases that were terminated in 2012, 2013, and 2014 were also overwhelmingly before the Federal Circuit. *Id.* (noting that in 2012, sixteen of the twenty TTAB *inter partes* appeals that were terminated by a court were before the Federal Circuit; in 2013, eight of the thirteen TTAB *inter partes* appeals that were terminated by a court were before the Federal Circuit; and in 2014, seventeen of the twenty TTAB *inter partes* appeals that were terminated by a court were before the Federal Circuit).

This trend seems likely to continue or intensify, at least with respect to *ex parte* appeals, as recent case law holds that § 1071(b) civil actions for review of an *ex parte* TTAB decision require that the aggrieved applicants pay the Trademark Office's attorney fees regardless of the outcome of the civil action. *See Shammas v. Focarino*, 990 F. Supp. 2d 587 (E.D. Va. 2014).

### A. Trademark Law and the APA: General Considerations

This Article assumes that standard administrative law principles govern the review of the Trademark Office's decisions. In 1999, the Supreme Court held as such with respect to the Patent Office's determinations.<sup>71</sup> In *Dickinson v. Zurko*, the Court held that the Administrative Procedure Act governs review of Board of Patent Appeals and Interferences ("BPAI") decisions, the patent counterpart to the TTAB.<sup>72</sup> Given that the Director of the Patent and Trademark Office's delegated authority to grant patents and register trademarks stem from the same statutory provision,<sup>73</sup> and that the statutory authority of the TTAB and the BPAI share significant commonalities,<sup>74</sup> especially at the time *Zurko* was decided, there is little reason to believe that the APA also does not apply to the TTAB's determinations.<sup>75</sup>

71. *Dickinson v. Zurko*, 527 U.S. 150, 165 (1999).

72. *Id.*

73. See 35 U.S.C. § 2 (2012) ("The United States Patent and Trademark office, subject to the policy direction of the Secretary of Commerce . . . shall be responsible for the granting and issuing of patents and the registration of trademarks . . .").

74. Compare 35 U.S.C. § 7 (1994), with 15 U.S.C. § 1067 (1994) (TTAB's governing provision), at the time *Zurko* was decided. Section 7 stated: "The Commissioner, the Deputy Commissioner, the Assistant Commissioners, and the examiners-in-chief shall constitute the [BPAI]. . . . Each appeal . . . shall be heard by at least three members of the [BPAI], who shall be designated by the Commissioner." 35 U.S.C. § 7. Section 1067 stated: "The [TTAB] shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. . . . Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner." 15 U.S.C. § 1067. The BPAI was later renamed the Patent Trial and Appeal Board and transformed into a more formal adjudicatory body with the passage of the America Invents Act in 2011. See Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1976–77 (2013) (describing the new adjudicatory authority of the Patent Office).

75. Stuart Benjamin and Arti Rai have recently argued that at least two recent Supreme Court cases have taken a more limited view of the centrality of administrative law to the patent system than *Zurko*. Stuart Minor Benjamin & Arti K. Rai, *Administrative Power in the Era of Patent Stare Decisis*, 65 DUKE L.J. 1563 (2016). More specifically, Benjamin and Rai argue that *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011), in which the Court held that the higher "clear and convincing" standard, rather than a lower "preponderance" standard, governed for proving invalidity of a patent, is one such case. See Benjamin & Rai, *supra*, at 1591. Because the Court did not mention administrative law in its decision, but instead relied upon its own pre-APA cases in interpreting the Patent Act, this case can be seen as rejecting the application of administrative law during collateral review of patents—that is, review of patents during patent litigation proceedings rather than direct review of the Patent Office's decision to grant or deny a patent. See *id.* at 1593–94. Benjamin and Rai also argue that a second case, *Kappos v. Hyatt*, 132 S. Ct. 1690 (2012), where the Court considered the proper standard of review that should govern the Patent Office's fact-findings in a civil action before a district court where new evidence was submitted, also represents "the Supreme Court's apparent decision to deprioritize administrative law in favor of the stare decisis effect of the Court's cases that predate the rise of the modern administrative state." *Id.* at 1565. Reasoning that the reviewing court was acting as one of first impression, rather than reviewing the facts found by the Patent Office, the Court again did

The APA was enacted in 1946 to provide default rules for all agencies and to bring uniformity to agency procedure and judicial review of agency action.<sup>76</sup> Thus, the central inquiry as to what standard of review should apply to the reexamination of the Trademark Office's decisions must start with the question of whether the Trademark Act provides a relevant standard and displaces the APA.<sup>77</sup> Historically, the federal trademark statute failed to enunciate any standard with respect to review of Trademark Office decisions. In 1946, approximately a month after passing the APA, Congress enacted the Lanham Act.<sup>78</sup> While the Lanham Act was silent with respect to trademark denials, it did articulate a presumption of validity for registered trademarks. Currently, § 1057(b) of the Trademark Act states that “[a] certificate of registration of a mark upon the principal register . . . 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 good or services specified in the certificate.”<sup>79</sup> While courts are divided as to whether the establishment of a prima facie case under the Lanham Act results in a shift in the burden of proof or merely a shift in the burden of production to the opposing party, it is clear that § 1057(b) of the Trademark Act did not displace or modify the APA.<sup>80</sup> As the APA states, a “[s]ubsequent statute may not be held to supersede or modify [the APA] . . . except to the extent that it does so

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not rely upon administrative law to hold that de novo review governed. Importantly, the failure of the Court to apply administrative law principles in either of these cases does not cast doubt on whether standard administrative law principles apply to the direct review of the Agency's decision when no new evidence is submitted, which is always the case when the Federal Circuit reviews TTAB determinations. *Id.*; see also Christopher J. Walker, *Chevron Deference and Patent Exceptionalism*, 65 DUKE L.J. ONLINE 149, 159 (2016) (arguing that Benjamin and Rai's argument “underestimates the Supreme Court's breathtaking extension of *Chevron* deference to trump judicial precedent”).

Technically, *Zurko* held that standard administrative law principles apply to the direct review of BPAI factual determinations. Given the intimate relationship between questions of fact and law, there is little reason to believe the Court would not also hold that administrative law applies to the review of the Patent and Trademark Office's determinations of law.

76. 5 U.S.C. §§ 551–559, 701–706 (2012).

77. See *Am. Paper Inst. v. Am. Elec. Power Serv. Corp.*, 461 U.S. 402, 412 n.7 (1983).

78. 15 U.S.C. §§ 1051–1072, 1091–1096, 1111–1127 (2012).

79. *Id.* § 1057(b).

80. For a thorough discussion of how courts have interpreted the “prima facie evidence” requirement under the Lanham Act, see Charles L. Cook & Theodore H. Davis Jr., *Litigating the Meaning of “Prima Facie Evidence” Under the Lanham Act: The Fog and Art of War*, 103 TRADEMARK REP. 437 (2013). The burden-of-proof shifting approach has been adopted by the First, Second, Sixth, Eighth, Tenth, Eleventh, District of Columbia, and Federal Circuits, whereas the burden-of-production shifting approach has been adopted by the Fourth, Fifth, Seventh, and Ninth Circuits. *Id.* at 445–48.

expressly.”<sup>81</sup> When the Supreme Court has found that a federal statute supplanted or modified the APA, the statute in question has explicitly indicated such and has often contained specific standards of review (for example, “substantial evidence”).<sup>82</sup> The language of § 1057(b) simply fails to meet this explicit requirement. As a result, the language of the APA should govern the review of trademark decisions.

### *B. Legal Determinations*

This Subpart begins by briefly summarizing the deference jurisprudence associated with the review of agencies’ legal constructions and then proceeds by applying this jurisprudence to the Trademark Office’s legal determinations announced during TTAB proceedings. This Subpart concludes that the Federal Circuit is failing to grant the TTAB’s legal determinations sufficient deference.

#### *1. Deference Jurisprudence with Respect to Legal Determinations*

If an agency’s legal interpretation of the statute it administers is reviewable, courts will apply one of three standards: the deferential *Chevron* review, the less deferential *Skidmore* review, or the no deference *de novo* review. In *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*,<sup>83</sup> the Supreme Court announced the famous two-part *Chevron* test. Under step one, the court, after “employing traditional tools of statutory construction,” asks whether “Congress has directly spoken to the precise question at issue.”<sup>84</sup> If the answer is yes, the statute clearly and unambiguously resolves the issue and the agency is bound by Congress’s express command.<sup>85</sup> If, however, the statute is unclear, the court proceeds to the second step. Under step two, the reviewing court must defer to the

81. 5 U.S.C. § 559 (2012).

82. *See, e.g.,* *Marcello v. Bonds*, 349 U.S. 302, 309 (1955) (holding that the Immigration and Nationality Act of 1952, which provided that “[t]he procedure (herein prescribed) shall be the sole and exclusive procedure for determining the deportability of an alien under this section,” displaced the APA); *see also* 5 U.S.C. § 552(a)(4)(B) (2012) (stating that courts should review *de novo* agency determinations under the Freedom of Information Act); *id.* § 7703(c)(1) (directing courts to set aside conclusions of the Merit Systems Protection Board if they are “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law . . . or . . . unsupported by substantial evidence”); Toxic Substances Control Act, 15 U.S.C. § 2618(c)(1)(B)(i) (2012) (“[T]he court shall hold unlawful and set aside such rule if the court finds that the rule is not supported by substantial evidence in the rulemaking record . . .”).

83. 467 U.S. 837 (1984).

84. *Id.* at 842, 843 n.9.

85. *Id.* at 842–43.

agency's interpretation that is "based on a permissible construction of the statute" or that is a "reasonable" construction of the statute that the agency is charged with administering.<sup>86</sup>

*Chevron* deference, however, is not applicable in every case in which an agency interprets a statute that it administers. In *United States v. Mead Corp.*, the Supreme Court clarified that an agency's interpretation is eligible for *Chevron* deference only if Congress has delegated interpretative authority (i.e., the ability to speak with the "force of law") to the agency and the agency has "exercise[d] . . . that authority."<sup>87</sup> The Court further stated that a congressional delegation of formal adjudicatory or rulemaking power is generally sufficient to infer congressional intent to delegate interpretative authority to an agency.<sup>88</sup> Even the subsequent decision of *Barnhart v. Walton*, which emphasized a need for a case-by-case analysis, did not disturb the principle that formal procedures were generally sufficient to infer force-of-law authority.<sup>89</sup> Although Supreme Court jurisprudence has left open the possibility that a grant of less formal mechanisms of agency action may, at times, also satisfy the force of law requirement,<sup>90</sup> the Court has failed to provide substantial guidance on what types of informal procedures are sufficient to infer such a delegation.<sup>91</sup>

*Mead* also made clear that if an agency cannot show that it was delegated force-of-law authority or that it exercised such authority, the less deferential *Skidmore* standard typically applies. From a theoretical standpoint, the differences between the approaches taken by the Supreme Court in *Skidmore* and in *Chevron* are substantial. In *Skidmore*, the Court

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86. *Id.* at 842–44.

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

88. *Id.* at 229–31.

89. *Barnhart v. Walton*, 535 U.S. 212, 222 (2002) (emphasizing factors such as the "interstitial nature of the legal question, the related expertise of the Agency, the importance of the question to administration of the statute . . . and the careful consideration the Agency has given the question over a long period of time").

90. *Mead*, 533 U.S. at 231.

91. See Lisa Schultz Bressman, *How Mead Has Muddled Judicial Review of Agency Action*, 58 VAND. L. REV. 1443, 1445 (2005) ("[C]ourts [have] adopt[ed] inconsistent approaches to the issue of *Chevron* deference when an agency does not use notice-and-comment rulemaking or formal adjudication.").

Post-*Mead*, the Supreme Court has afforded *Chevron* deference to agency action outside the context of notice-and-comment regulations in two instances. In both scenarios, the agency action at issue was technically informal adjudication, although the adjudications had formal aspects. Neither opinion, however, provided much guidance as to why these adjudications meet the force-of-law requirement. See *Negusie v. Holder*, 555 U.S. 511, 516 (2009) (extending *Chevron* deference to Board of Immigration Appeals adjudication interpreting the Immigration and Nationality Act); *United States v. Eurodif S. A.*, 555 U.S. 305, 316 (2009) (extending *Chevron* deference to Commerce Department interpretation of the Tariff Act in adjudication).

concluded that the weight afforded an agency's legal interpretation "will depend upon the thoroughness evident in its consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade."<sup>92</sup> By contrast, courts applying *Chevron* defer to an agency's "reasonable interpretation" of an ambiguous statute, regardless of its consistency with previous or subsequent statements.<sup>93</sup> As a result, in a *Chevron* case, a court *must* defer to a reasonable interpretation, whereas in a *Skidmore* case, it *may* defer based on how convincing it finds the agency's construction of the statute.<sup>94</sup>

Finally, in a limited number of circumstances, an agency's legal construction may be afforded no deference whatsoever. De novo review is warranted when an agency is construing a legal provision that it does not have a special responsibility to administer, such as the Constitution or the Administrative Procedure Act.<sup>95</sup> Additionally, § 706(2)(F) of the APA contemplates de novo review of agency action when "the facts are subject to trial de novo by the reviewing court."<sup>96</sup> To date, courts have largely limited the application of § 706(2)(F) to those few situations in which trial de novo is guaranteed by statute.<sup>97</sup>

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

93. *Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 844 (1984).

94. Some commentators have suggested that *Skidmore* review is tantamount to de novo review. See, e.g., Jack M. Beermann, *End the Failed Chevron Experiment Now: How Chevron Has Failed and Why It Can and Should Be Overruled*, 42 CONN. L. REV. 779, 849 (2010) ("To some, *Skidmore* is no deference at all—the reviewing court goes along with the agency when, all things considered, it agrees with the agency."). Empirical evidence, however, suggests that judges view *Skidmore* as an actual restraint on their decision-making. Kristin E. Hickman & Matthew D. Krueger, *In Search of the Modern Skidmore Standard*, 107 COLUM. L. REV. 1235, 1259–80 (2007) (finding that, of the 104 appellate cases from 2001 to 2006 that applied *Skidmore*, the majority of courts tailored their deference in accordance with the factors outlined in *Skidmore* rather than conducting a de novo-style analysis wherein the court adopted its best reading of the statute).

95. No one particular agency is charged with administration of the Administrative Procedure Act or Title VII. See 5 U.S.C. §§ 551–552 (2012); 42 U.S.C. § 2000e(a) (2012).

96. 5 U.S.C. § 706(2)(F) (2012). Although this language arguably implies that something other than the APA must make the facts "subject to trial de novo," the Supreme Court has interpreted this section of the APA to allow for no deference under the following two circumstances: (1) when "the agency factfinding procedures are inadequate"; or (2) "when issues that were not before the agency are raised in a proceeding to enforce nonadjudicatory agency action." *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971). Nevertheless, it is exceedingly rare for courts to find either of these circumstances present. To date, there appears to be only one case under which a court has applied de novo review because either the agency's fact-findings were inadequate or because issues that were not before the agency were raised in a proceeding to enforce nonadjudicatory agency action. See *Porter v. Califano*, 592 F.2d 770, 782–83 (5th Cir. 1979) (involving substantial bias in the agency disciplinary proceeding); Ronald M. Levin, *Scope-of-Review Doctrine Restated: An Administrative Law Section Report*, 38 ADMIN. L. REV. 239, 273–74 & n.17 (1986).

97. See, e.g., *Agosto v. INS*, 436 U.S. 748 (1978) (holding that de novo trial of citizenship issues in deportation cases is guaranteed by statute); *Chandler v. Roudebush*, 425 U.S. 840 (1976) (holding that trial de novo of federal employees' title VII claims is guaranteed by statute); *Kappos v. Hyatt*, 132

## 2. *Applying Deference Jurisprudence to the Trademark Office's Legal Determinations*

The Trademark Act, like many other organic statutes, does not always speak to the precise question at issue. That is, the legal requirements that dictate when a mark merits registration often allow for ample interpretation. Take for instance the doctrine of likelihood of confusion, which precludes the registration of marks that are likely to cause confusion with other existing marks. The Trademark Act states that a mark cannot be registered if it “so resembles [an existing] mark . . . as to be likely . . . to cause confusion.”<sup>98</sup> The courts and the Trademark Office have held that making a likelihood of confusion determination turns on a multifactor analysis.<sup>99</sup> Perhaps the best evidence of the substantial interpretative discretion associated with the likelihood of confusion analysis is that each of the circuits has developed its own formulation of this test. Although some commonality in factors exists across circuits, there is also great diversity not just with respect to which factors are considered, but also as to how much weight each factor is prescribed.<sup>100</sup> Even though not every trademark registration determination may involve the interpretation of a pure legal standard, it will, at a minimum, involve the application of a legal standard to a factual finding. Because the highly deferential standard announced in *Chevron* applies both to pure questions of legal interpretation and to interpretations involving the application of legal standards to facts,<sup>101</sup> every trademark registration determination could theoretically warrant strong judicial deference.

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S. Ct. 1690, 1694 (2012) (holding that patent denials appealed to the US District Court for the District of Columbia under 35 U.S.C. § 145 allow for a trial de novo).

98. 15 U.S.C. § 1052(d) (2012).

99. The Eighth and Tenth Circuits utilize a six-factor test; the Fourth, Fifth, Seventh, and Eleventh Circuits utilize a seven-factor test; the First, Second, Sixth, Ninth, and D.C. Circuits utilize an eight-factor test; the Third Circuit utilizes a ten-factor test; and the Federal Circuit utilizes a thirteen-factor test. For an excellent summary of how the multifactor tests vary across circuits, see Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1587–90 (2006).

100. For instance, every circuit appears to consider the following four factors: the similarity of the marks, the proximity of the goods, the evidence of actual confusion, and the strength of the plaintiff's mark. See *id.* (noting that some circuits weigh heavily certain factors that other circuits claim to ignore).

101. Stuart Minor Benjamin & Arti K. Rai, *Who's Afraid of the APA? What the Patent System Can Learn from Administrative Law*, 95 GEO. L.J. 269, 297 (2007) (“Under the Supreme Court's jurisprudence, *Chevron* applies both to pure questions of legal interpretation and to the interpretation involved in applying legal standards to factual findings . . .”).

Should trademark decisions be afforded the highly deferential *Chevron* standard? The answer to this question depends on whether Congress intended the Agency to speak with the force of law. Thus, a starting point is to determine whether Congress has granted the Trademark Office substantive rulemaking or formal adjudicatory authority—the two formal procedures that Supreme Court precedent suggests merit deference.<sup>102</sup> The APA, which governs the way most agencies partake in rulemaking and adjudication, defines a rule as “an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy.”<sup>103</sup> Rulemaking is defined as the “process for formulating, amending, or repealing a rule.”<sup>104</sup> By contrast, adjudications are defined as matters other than rulemaking.<sup>105</sup> Thus, any agency decision that involves a final decision other than rulemaking, such as the decision to grant or deny registration of a trademark, constitutes agency adjudication.<sup>106</sup>

Importantly, while many agencies possess the authority to adjudicate and hence interpret the statutes they administer on a case-by-case basis,<sup>107</sup> having statutory authority to adjudicate in some way does not mean the agency has been granted formal adjudicatory authority. Formal adjudication under the APA resembles a civil judicial trial, wherein the

102. There is an open question as to whether all grants of substantive rulemaking authority or formal adjudicatory authority are enough to warrant *Chevron* deference. While scholars and courts tend to conclude that a grant of formal adjudicatory power or substantive rulemaking authority is accompanied by force of law authority, a subset of scholars is beginning to question this conclusion. The concept of force of law is more developed with respect to rulemaking than formal adjudication. *See, e.g.*, Kristin E. Hickman, *Unpacking the Force of Law*, 66 VAND. L. REV. 465, 470–72 (2013); Thomas W. Merrill, *The Mead Doctrine: Rules and Standards, Meta-Rules and Meta-Standards*, 54 ADMIN. L. REV. 807, 827–30 (2002); Thomas W. Merrill & Kathryn Tongue Watts, *Agency Rules with the Force of Law: The Original Convention*, 116 HARV. L. REV. 467, 472 (2002); Thomas W. Merrill & Kristin E. Hickman, *Chevron’s Domain*, 89 GEO. L.J. 833, 890 (2001); Wasserman, *supra* note 74, at 1989–94.

103. 5 U.S.C. § 551(4) (2012).

104. *Id.* § 551(5).

105. *Id.* § 551(6)–(7).

106. *Id.*

107. Both the National Labor Relations Board and the Federal Trade Commission are known for heavily relying on adjudication to announce legal interpretations of the statutes they administer. *See, e.g.*, Mark H. Grunewald, *The NLRB’s First Rulemaking: An Exercise in Pragmatism*, 41 DUKE L.J. 274, 274 (1991) (footnotes omitted) (“Despite having been granted both rulemaking and adjudicatory power in its statutory charter more than half a century ago, the [NLRB] has chosen to formulate policy almost exclusively through the process of adjudication.”); Paul R. Verkuil, *The Purposes and Limits of Independent Agencies*, 1988 DUKE L.J. 257, 263 (“Adjudication was the primary function of . . . the Interstate Commerce Commission (ICC), and it was a substantial part of the business of the Federal Trade Commission (FTC) as well.”).

parties have the right to present oral arguments,<sup>108</sup> to conduct cross-examination of witnesses,<sup>109</sup> and to make exceptions to prior rulings.<sup>110</sup> Additionally, the APA requires that a neutral hearing officer, who is prohibited from participating in ex parte communications,<sup>111</sup> conduct the formal adjudication by presiding over the case and submitting written opinions that provide the legal and factual basis of the agency's conclusions.<sup>112</sup> The majority of agency adjudications, however, are informal in nature. If formality is not required, then the APA imposes only minimal procedures for adjudications.<sup>113</sup> Thus, agency decisions made under "informal adjudication" are not afforded trial-like protections, but instead often rely on the use of "inspections, conferences, and negotiations."<sup>114</sup>

To begin, the Trademark Office likely does not possess the power to issue binding rules that carry the force of law on the core issues of trademark law.<sup>115</sup> The broadest expression of the Agency's rulemaking

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108. 5 U.S.C. § 556(d) (2012). While the majority of formal hearings require oral arguments, the APA has accepted oral arguments from hearings "determining claims for money or benefits or applications for initial licenses." *Id.*

109. *Id.* Section 556 requires cross-examination only "as may be required for a full and true disclosure of the facts." *Id.*

110. *Id.* § 557(c).

111. *Id.* § 557(d)(1).

112. *Id.* § 557(c)(3)(A)–(B). Additionally, the APA places the burden of proof on the proponent of the adjudicatory order and requires that the order be supported by reliable, probative, and substantial evidence. *Id.* § 556(d). Formal adjudication also requires the agency to provide notice of the hearing to the parties in the proceeding and afford an opportunity to participate in the hearing. *Id.* § 554.

113. Section 555 of the APA does provide some protections that apply to all APA proceedings, including limited rights to appear before an agency; limits on agency subpoena power; the right to retain copies of information submitted to an agency; the right to inspect copies of testimony transcripts; and the right to prompt written notice of the denial of any written petition application or request, including a brief explanation of the reasons for the denial. *Id.* § 555. As a result, agency procedures in "informal adjudications" are typically prescribed only under the agency's enabling act, adopted by the agency itself, or required by constitutional due process. Melissa M. Berry, *Beyond Chevron's Domain: Agency Interpretations of Statutory Procedural Provisions*, 30 SEATTLE U. L. REV. 541, 549 (2007).

114. U.S. ATTORNEY GEN.'S COMM. ON ADMIN. PROCEDURE, ADMINISTRATIVE PROCEDURE IN GOVERNMENT AGENCIES, S. DOC. NO. 77-8, at 5 (1st Sess. 1941).

115. Remarkably, the Federal Circuit has never squarely held that the Agency lacks the substantive rulemaking authority. In fact, surprisingly few Federal Circuit opinions have even referenced § 1123 of the Lanham Act. I could find only one Federal Circuit case that explicitly referenced 15 U.S.C. § 1123—*Eastman Kodak Co. v. Bell & Howell Document Mgmt. Prods. Co.*, 994 F.2d 1569, 1573 (Fed. Cir. 1993).

Nevertheless, the language of § 1123 of the Lanham Act is almost identical to that of the Patent Act. The Federal Circuit has repeatedly interpreted the latter grant as primarily enabling the Patent and Trademark Office to make rules only on a variety of procedural matters. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996). Thus, it seems highly likely that the appellate court would also hold that the Trademark Office lacks substantive rulemaking authority.

authority can be found in § 1123 of the Lanham Act, stating that “[t]he Director shall make rules . . . for the conduct of proceedings in the Patent and Trademark Office under this [Act].”<sup>116</sup> Interpreting § 1123 as providing the Agency with only procedural rulemaking authority is reasonable. The word “conduct” in the Agency’s grant of rulemaking authority suggests that Congress intended the Agency to make rules only with respect to the process that will take place in the course of the hearing and not the substantive standards that govern registration. Moreover, when other agencies have the power to make substantive rules with the force of law in the course of a series of adjudications, the language does not tend to track that of § 1123 but is instead broader, such as the “power to make rules to carry out the provisions of this Act.”<sup>117</sup> Thus, it seems unlikely the Trademark Office possesses the first formal procedure that the Supreme Court suggested merits *Chevron* deference.

What about the second formal procedure that the Court suggested is sufficient to imply a grant of force of law authority? That is, has the Trademark Office been granted formal adjudicatory authority? At first blush, the answer is yes. As discussed above, the Trademark Office has long had the authority to partake in a number of adjudications, including the adjudication of trademark registration grants in which adverse parties dispute the eligibility of a particular, proposed trademark for federal registration. As the Supreme Court has recently stated, these inter partes proceedings “are in many ways ‘similar to a civil action in a federal district court.’”<sup>118</sup> For instance, these proceedings are largely governed by the Federal Rules of Civil Procedure and both parties have the right to discovery and to conduct dispositions.<sup>119</sup> Perhaps most telling is that the Trademark Office’s regulations for adjudication of trademark registration

116. 15 U.S.C. § 1123 (2012).

117. *See, e.g.*, National Labor Relations Act, 29 U.S.C. § 156 (2012) (authorizing the National Labor Relations Board (“NLRB”) to “make, amend, and rescind . . . such rules and regulations as may be necessary to carry out the provisions of this subchapter”); Communications Act of 1934, 47 U.S.C. § 154(i) (2012) (authorizing the Federal Communications Commission (“FCC”) to “perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions”); Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 371(a) (2012) (authorizing the Food and Drug Administration (“FDA”) to “promulgate regulations for the efficient enforcement of this chapter”). The NLRB, the FCC, and the FDA all have the power to promulgate legislative rules. *See, e.g.*, Nat’l Nutritional Foods Ass’n v. Weinberger, 512 F.2d 688, 695–98 (2d Cir. 1975) (holding that 21 U.S.C. § 371(a) grants the FDA the authority to issue legislative rules interpreting the act).

118. *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1300 (2015) (quoting PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 102.03 (2014)).

119. Rules of Practice in Trademark Cases, 37 C.F.R. §§ 2.116(a), 2.122(a) (2014).

grants provide for the trial-type protections afforded under formal adjudication, including many, if not all, of the APA requirements of § 554 and §§ 556–557.<sup>120</sup>

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120. For example, the regulations require the agency to do the following: (1) provide notice of any *inter partes* proceedings, *compare* APA, 5 U.S.C. § 554(b) (2012), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.105 (2016) (“Notification to parties of opposition proceeding[s]”), *and* 37 C.F.R. § 2.113 (“Notification to parties of cancellation proceeding[s]”); (2) prohibit *ex parte* communications regarding the merits during the decisional process, *compare* 5 U.S.C. § 557(d), *with* Rules of Practice Before the U.S. Patent and Trademark Office, 37 C.F.R. § 10.93 (“Contact with officials. . . . In an adversary proceeding, including any *inter partes* proceeding before the Office, a practitioner shall not communicate, or cause another to communicate, as to the merits of the cause with a judge, official, or Office employee before whom the proceeding is pending, except: (1) In the course of official proceedings in the cause. (2) In writing if the practitioner promptly delivers a copy of the writing to opposing counsel or to the adverse party if the adverse party is not represented by a practitioner. (3) Orally upon adequate notice to opposing counsel to the adverse party if the adverse party is not represented by a practitioner. (4) As otherwise authorized by law.”); (3) allow, in certain circumstances, the right to conduct cross-examination, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.123(e)(3) (“Every adverse party shall have full opportunity to cross-examine each witness.”); (4) permit parties to seek a rehearing of the initial three-judge panel decision, *compare* 5 U.S.C. § 557(b), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.129(c) (“Any request for rehearing or reconsideration or modification of a decision issued after final hearing must be filed within one month from the date of the decision.”); (5) afford parties an opportunity to participate in those proceedings, *compare* 5 U.S.C. § 554(c), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.101(b) (“Any person who believes that he, she or it would be damaged by the registration of a mark on the Principal Register may file an opposition . . . .”), *and* 37 C.F.R. § 2.111 (“Filing a petition for cancellation . . . . Any person who believes that he, she or it is or will be damaged by the registration may file a petition . . . for cancellation of the registration . . . .”); (6) place the burden of proof on the moving party to establish that she is entitled to the requested relief, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.116 (“Except as otherwise provided, and wherever applicable and appropriate, procedure and practice in *inter partes* proceedings shall be governed by the Federal Rules of Civil Procedure.”); and (7) ensure that parties to the formal adjudications are entitled to present their case by documentary evidence, *compare* 5 U.S.C. § 556(d), *with* Rules of Practice in Trademark Cases, 37 C.F.R. § 2.122 (Matters in evidence), § 2.123 (Trial testimony in *inter partes* cases), § 2.124 (Depositions upon written questions), § 2.127 (Motions), *and* § 2.128 (Briefs at final hearing).

Typically, the hearing officers in a formal adjudication are administrative law judges. *See* 5 U.S.C. § 556(b) (requiring that the head of the agency, one or more members of the collegial body that heads an agency, or administrative law judges serve as hearing officers in a formal proceeding). The Lanham Act requires that high-ranking trademark officials and administrative trademark judges, not administrative law judges, preside over the proceeding. 15 U.S.C. § 1067 (2012). In general, administrative trademark judges enjoy less independence in their decision-making than do administrative law judges. *See* Judith Resnik, *Whither and Whether Adjudication?*, 86 B.U. L. REV. 1101, 1145–46 (2006). However, not all formal adjudications must be presided over by one of the three hearing officers outlined in § 556(b) if the organic statute specifically designated another board or employee to preside. Section 556(b) states, “This subchapter does not supersede the conduct of specified classes of proceedings, in whole or in part, by or before boards or other employees specially provided for by or designated under statute.” 5 U.S.C. § 556(b). The Lanham Act does explicitly require that “[i]n every case of . . . opposition to registration . . . or application to cancel the registration of a mark, the Director shall . . . direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.” 15 U.S.C. § 1067(a). Thus, the Trademark Office’s regulations requiring that the hearing officers of TTAB proceedings be Administrative Trademark Judges also conforms with the APA requirements for formal adjudication.

Of course, the question is not simply whether the Trademark Office thought it was best to effectuate these inter partes proceedings through formal adjudication, but instead whether Congress intended the Agency do so. Agencies, after all, are always free to opt into more formal procedures than their organic statutes require. Congress typically evinces its intent to grant formal adjudicatory authority to an agency by utilizing the triggering language for formal adjudication. Section 554 of the APA states that “every case of adjudication required by statute to be determined on the record after opportunity for an agency hearing” triggers the formal procedures outlined in § 554 and §§ 556–557.<sup>121</sup> Thus, if the Lanham Act included both the phrases “hearing” and “on the record” when describing inter partes proceedings, it would appear that the Trademark Office had been delegated formal adjudicatory power.<sup>122</sup> These phrases, however, are conspicuously absent from the Lanham Act. As a result, if Congress did intend to grant formal adjudicatory authority to the Agency, it did not utilize the most straightforward way of doing so.<sup>123</sup>

Nevertheless, there is some reason to believe that Congress intended the Trademark Office to effectuate inter partes proceedings through formal adjudication. Even though the legislative history associated with the creation of the Trademark Trial and Appeal Board is sparse, it did state that Congress intended inter partes proceedings before the TTAB to be “similar to the practice which presently obtains in the case of patent interferences.”<sup>124</sup> At the time the TTAB was created, and until patent interferences were fully phased out by the America Invents Act, these proceedings were adversarial in nature and shared the hallmarks of civil

121. 5 U.S.C. § 554 (2012).

122. See Berry, *supra* note 113, at 551–52 (“[N]o one would dispute that formal procedures should be required if the enabling statute includes ‘on the record’ language . . .”).

123. It is, however, unusual for an agency to adopt more formal proceedings than what its organic statute requires in effectuating proceedings. Formal adjudication is more time consuming and costly than its informal counterpart. Originally, inter partes review was conducted by the Commissioner. S. REP. NO. 85-1960 (1958). It was not until 1958 that the Trademark Trial and Appeal Board was created. H.R. 8826, 85th Cong. (1958) (enacted). The legislative history surrounding its creation suggests that the Commissioner was becoming taxed with such proceedings and the TTAB was created to relieve the Commissioner of his work. S. REP. NO. 85-1960, at 1–6 (1958). It is, however, interesting to note that the Trademark Office has always utilized formal proceedings to carry out oppositions and cancellations. The very first regulations that effectuated inter partes in 1963 required as such. Rules of Practice in Trademark Cases, 37 C.F.R. § 2.117 (1963) (noting that the Federal Rules of Civil Procedure generally govern inter partes proceedings). For better or for worse, the Trademark Office has not wavered from this position.

124. S. REP. NO. 85-1960, at 5 (1958). A patent interference proceeding, which is also known as a priority contest, is an inter partes proceeding to determine the priority issues of multiple patent applications. See 35 U.S.C. § 135 (2006).

trials.<sup>125</sup> The US Patent and Trademark Office's regulations that governed patent interference proceedings stated that the Federal Rules of Civil Procedure applied, banned ex parte communications, allowed parties to request oral argument, and guaranteed discovery.<sup>126</sup> Although regulations governing TTAB proceedings do not provide insight as to why the Agency effectuated inter partes proceedings through formal adjudication, it is possible that the Trademark Office felt the legislative history associated with the creation of the TTAB compelled the Agency to do so.<sup>127</sup>

If Congress did grant formal adjudicatory power to the Trademark Office, Supreme Court jurisprudence suggests that such a grant is generally enough to infer Congress delegated interpretative authority to the Agency. Even though courts have almost uniformly equated a grant of formal adjudicatory authority with force-of-law authority, it is likely that some subset of formal adjudication grants is insufficient to trigger the application of the *Chevron* framework.<sup>128</sup> Alternatively, it is possible Congress did not intend the Trademark Office to effectuate inter partes proceedings through formal adjudication. In that case—or for the adjudication of trademark denials, which are informal in nature—the Supreme Court's *Chevron* jurisprudence has suggested that other types of adjudication short of formal adjudication authority may be accompanied with force-of-law authority and hence merit *Chevron* deference.<sup>129</sup> Thus, the question remains whether the Trademark Office's grant of adjudicatory powers, whether formal or informal, included force-of-law authority. Unfortunately, the Supreme Court's doctrine has not been particularly

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125. Any patent application with an effective filing date of March 16, 2013, or later will not be able to initiate an interference proceeding. Derivation proceedings are replacing interference proceedings in the Patent Act. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at 35 U.S.C. § 135).

126. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2301.01 (2015), available at <http://www.uspto.gov/web/offices/pac/mpep/> (bans ex parte communications); 37 C.F.R. § 41.200 (2016) (noting that patent interference is a contested case subject to the procedures set forth in subpart D of Part 41); § 41.124 (oral argument); § 41.150 (discovery); § 41.152 (applicability of the Federal Rules of Evidence).

127. See Rules of Practice in Trademark Cases, 37 C.F.R. § 2.117 (1963).

128. For instance, the Supreme Court almost uniformly equates a grant of formal adjudicatory authority with the ability to speak with the force of law. In one of the few (possibly only) times the Supreme Court has found a conferral of formal adjudicatory powers to an agency insufficient to infer a delegation of interpretative authority, the Court faced a split-enforcement model, wherein one agency had rulemaking authority and the other had formal adjudicatory powers. See *Martin v. Occupational Safety & Health Review Comm'n*, 499 U.S. 144, 155 (1991) (finding that the Secretary of Labor, which had rulemaking authority, has interpretative authority over the Occupational Safety and Health Act and that the Health Review Commission, which had formal adjudicatory powers, was merely a neutral arbitrator that lacked force-of-law authority).

129. *United States v. Mead Corp.*, 533 U.S. 218, 231 (2001).

helpful in providing a framework for when informal adjudication carries force-of-law authority or when a grant of formal adjudicatory powers is insufficient to infer a delegation of interpretative authority.<sup>130</sup>

Arguably, an important factor in determining whether a grant of adjudicatory authority carries with it force of law authority is whether Congress intended the agency to make law and policy—or generalized determinations that affect the rights of many—during its adjudications.<sup>131</sup> That is, a grant of adjudicatory power is more likely to be accompanied with interpretative authority when Congress intended the outcome of those adjudications to bind both the parties to the adjudication and agency personnel. It is clear that the Trademark Office has the authority to make determinations that have coercive effects on the parties to the adjudication. The Trademark Office is authorized to make legally binding determinations—determinations of whether a trademark should be registered.<sup>132</sup> While TTAB decisions are always binding on the trademark examiner who made the initial determination, a subset of TTAB determinations are binding on all agency personnel. TTAB decisions that are designated as precedential bind all trademark examining attorneys making initial registration decisions as well as the Board. Thus, these precedential decisions are likely the best candidates for receiving *Chevron* deference.<sup>133</sup>

Of course, the key inquiry is whether Congress intended the TTAB to make determinations that bind agency personnel and the parties to the adjudication, not whether the Agency voluntarily elected to make a subset of TTAB decisions precedential. Perhaps the easiest way for Congress to evince such intent would have been to include language in the Lanham Act that TTAB decisions can have precedential effect. While no such language is included in the Lanham Act, such express statutory intent does not

130. For instance, the Court cited only one case to support the proposition that informal adjudication may also warrant *Chevron* deference in its *Mead* decision. *Id.* at 231 (citing *NationsBank of N.C., N.A. v. Variable Annuity Life Ins. Co.*, 513 U.S. 251, 256–57, 263 (1995), in which the Court had extended *Chevron* deference to an informal adjudication by the Comptroller of the Currency interpreting the National Bank Act).

131. Wasserman, *supra* note 74, at 1991–93.

132. Moreover, when the Trademark Office’s legal constructions are announced by the TTAB, they are always self-executing, in that they are binding without the need for judicial enforcement.

133. TBMP, *supra* note 56, § 101.03 (“Decisions that are designated by the Board ‘citable as precedent,’ ‘precedent of the Board,’ or ‘for publication in full’ are citable as precedent. 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.”). Additionally, the Supreme Court recently made clear that the TTAB’s decision to deny or uphold a federal registration of a mark could have preclusive effects on a later infringement action involving the same mark. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

appear to be a necessary prerequisite for a grant of formal adjudication to include force-of-law authority. Other agencies that have received *Chevron* deference for legal constructions announced during formal adjudications also fail to have such explicit language in their organic statutes.<sup>134</sup> Moreover, there are persuasive reasons to believe that Congress envisioned the TTAB to announce decisions that bind the Board as well as trademark examining attorneys. Agencies, especially those like the Trademark Office that have large numbers of low-ranking officials making hundreds of thousands of decisions each year, must have mechanisms to ensure consistency in determinations across decision makers. As a result, it seems likely that Congress intended the TTAB to issue precedential decisions or decisions that would provide binding guidance to agency decision makers on unsettled areas of law.

A full analysis of whether an agency's decision merits *Chevron* deference should also consider whether the adjudicatory body speaks for the agency—that is, the extent to which the agency head oversees the adjudication. In most agencies, formal adjudications are conducted by administrative law judges (“ALJs”).<sup>135</sup> In some agencies, the agency head is obligated to review the ALJ's determination and make an affirmative decision to uphold or reverse the decision.<sup>136</sup> In others, agency heads have no such obligation, and hence the ALJ's determinations effectively become those of the agency.<sup>137</sup> As John Golden has recently noted, the formal adjudications the Supreme Court cited in *Mead* as warranting *Chevron* deference involved the former paradigm—that is, agency heads made affirmative decisions which were subsequently appealed to the federal courts.<sup>138</sup> Golden makes a compelling argument that only formal adjudications affirmatively reviewed by agency heads should be eligible for *Chevron* deference.<sup>139</sup> Stuart Benjamin and Arti Rai, however, note that *Mead* did not definitively answer the question of the extent to which an agency head must oversee an adjudication in order for it to have the

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134. For instance, the National Labor Relations Act does not state that the National Labor Relations Board's decisions should have precedential force. 29 U.S.C. § 153 (2012).

135. Daniel J. Gifford, *Adjudication in Independent Tribunals: The Role of an Alternative Agency Structure*, 66 NOTRE DAME L. REV. 965, 970 (1991).

136. *Id.*

137. *Id.* at 971–75.

138. John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 DUKE L.J. 1657 (2016).

139. *Id.*

force of law.<sup>140</sup> In fact, Benjamin and Rai point out that there is a circuit split on this exact issue.<sup>141</sup>

Notably, TTAB determinations likely meet the more demanding interpretation of agency head involvement. Although there is no formal appeal of TTAB decisions to the Director of the Trademark Office, the head of the Patent and Trademark Office has the effective ability to affirm, modify, or reverse the Board's decisions. The Trademark Act states that the TTAB is composed not only of administrative trademark judges but also high-ranking Patent and Trademark Office officials, such as the Director, Deputy Director, and the Commissioner for Trademarks.<sup>142</sup> In *In re Alappat*,<sup>143</sup> the Federal Circuit held that near identical language in the Patent Act enables the Director to review and reverse a decision of the Board of Patent Appeals and Interferences, the then patent counterpart to the TTAB, through the process of stacking an expanded panel to include like-minded officials to reverse the original panel decision. While the ability to reverse a TTAB decision by stacking an expanded panel provides less control than if the Trademark Act gave the Director the ability to reverse any TTAB decision on her own accord, the outcome is functionally equivalent. Moreover, the Director of the Patent and Trademark Office must concur that a TTAB decision should be given precedential status. Hence, only those decisions which the Director explicitly agrees should bind agency personnel will have such an effect.<sup>144</sup> Given that the Director of the Trademark Office exercises significant control over TTAB outcomes, including over which outcomes have precedential effect, the Board appears to speak for the Agency.

Finally, TTAB determinations are not similar to the types of adjudications that the Supreme Court has held do not merit deference, such as high-volume determinations made by low-ranking officials.<sup>145</sup> While trademark examiners make close to 100,000 decisions a year

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140. Benjamin & Rai, *supra* note 75, at 1584.

141. *Id.*

142. 15 U.S.C. § 1067(b) (2012). While each case before the Board is heard by panels of three decision makers, the Board may use an augmented panel in a case involving precedent-setting issues of exceptional importance. TBMP, *supra* note 56, § 540.

143. 33 F.3d 1526 (Fed. Cir. 1994).

144. The fact the Lanham Act specifically states that it is the Director of the Trademark Office who has the ultimate decision to refuse to register the opposed mark, or cancel the registration of a mark, also suggests that Congress envisioned the TTAB to be a law-making vehicle that speaks for the Agency. 15 U.S.C. §§ 1067–1068 (2012).

145. *See United States v. Mead Corp.*, 533 U.S. 218, 233 (2001) (noting that decisions such as tariff rulings that are “churned out” at a high volume by low-ranking officials are unlikely to have the “force of law”).

regarding the registrability of marks, only a small portion of these decisions are appealed to the TTAB.<sup>146</sup> The TTAB decides fewer than one thousand cases each year, of which fewer than fifty are designated as precedential.<sup>147</sup> The extent to which one of these factors or combination of factors the courts will find compelling remains to be seen. What is clear, however, is that the denial of *Chevron* deference to the Trademark Office's legal constructions announced during TTAB proceedings is not an open and shut case.

The Federal Circuit's decisions with respect to the Trademark Office's legal constructions tell an intriguing tale. Shortly after its inception, the Federal Circuit held that the TTAB's legal interpretations should be reviewed *de novo*, citing to the precedent of its predecessor court as controlling on this issue.<sup>148</sup> Interestingly, the Federal Circuit did not revisit this issue after the Supreme Court's *Chevron* decision in 1984, which substantially increased the sphere of agency decisions warranting strong deference, but instead continued to afford TTAB legal interpretations no

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146. See PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2014, at 158 tbl.18 (2014) (noting that 92,126 trademark applications were under initial examination during the 2014 fiscal year).

147. PATENT AND TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, TRADEMARK PUBLIC ADVISORY COMMITTEE ANNUAL REPORT 2014, at 23 (noting that the TTAB issued 676 final decisions in fiscal year 2013). That is not to say that every factor weighs towards a finding that Congress intended the Trademark Office to speak with the force of law when it addresses ambiguity in the Lanham Act. For instance, the TTAB's scope of authority under the Lanham Act is arguably a neutral factor in this determination. One could argue that because the TTAB may bar registration of a mark, at least within the first five years of registration, for a larger set of substantive grounds than a trademark examiner that Congress envisioned the TTAB to announce legal determinations that carry the force of law. 15 U.S.C. §§ 1067–1068 (delineating the set of substantive grounds upon which the TTAB and trademark examiner may bar registration of a mark). Congress, in 1999, amended the Lanham Act to include the latter two substantive grounds after the Trademark Office had held it was unable to do so. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999). For an empirical examination of the role of dilution at the Trademark Office, see Jeremy N. Sheff, *Dilution at the Patent and Trademark Office*, 21 MICH. TELECOMM. & TECH. L. REV. 79 (2014). This argument does not hold for TTAB adjudication of trademark denials. However, one could also argue that because federal registration does not give rise to the trademark right itself but only enhances the legal protections that spring from using the mark in commerce, the Agency's scope of authority under the Lanham Act therefore counsels against finding that the Trademark Office was delegated force of law authority.

148. The Federal Circuit adopted the case law of its predecessor court, the Court of Customs and Patent Appeals, as controlling precedent in its first decision. *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982). Subsequent Federal Circuit cases that held no deference should be afforded the TTAB's legal interpretations of the Lanham Act have cited the Court of Customs and Patent Appeals as precedent. See, e.g., *Specialty Brands, Inc. v. Coffee Bean Distributors, Inc.*, 748 F.2d 669, 671 (Fed. Cir. 1984) (citing *Interstate Brands Corp. v. Celestial Seasonings, Inc.*, 576 F.2d 926, 929 (CCPA 1978)).

deference at all.<sup>149</sup> Then in 1993, the Federal Circuit applied *Chevron* deference to the TTAB's interpretation of an ambiguous provision of the Lanham Act for the first time in *Eastman Kodak Co. v. Bell & Howell Document Management Products*.<sup>150</sup> The court did so without any discussion of the previous nine years of precedent that had held otherwise and largely stated, without analysis, that the *Chevron* framework governed.<sup>151</sup> As a result, it may not be too surprising that the *Eastman Kodak* opinion has had a limited impact on the Federal Circuit's jurisprudence. The court has largely ignored it and overwhelmingly continues to review the TTAB's legal interpretations of the Lanham Act without deference.<sup>152</sup>

Even more curiously, in the same year that *Eastman Kodak* was decided, the Federal Circuit held in *Merck & Co. v. Kessler* that the Patent Office's legal determinations were not eligible for *Chevron* deference because the agency did not possess substantive rulemaking authority.<sup>153</sup> At the time that *Merck* was decided, there was considerable confusion over when an agency's legal determinations were *Chevron* eligible, a question that scholars have dubbed "*Chevron* step zero."<sup>154</sup> Regional circuits were split on whether substantive rulemaking authority was a requirement for *Chevron* deference.<sup>155</sup> In 2000, however, the Supreme Court in *Mead*

149. See, e.g., *Weiss Assocs., Inc. v. HRL Assocs., Inc.* 902 F.2d 1546, 1548 (Fed. Cir. 1990) (stating that the TTAB's determinations of law are reviewed de novo); *Electronic Design & Sales, Inc. v. Electronic Data Sys. Corp.*, 954 F.2d 713, 715 (Fed. Cir. 1992) (same).

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

151. *Id.* at 1571–76.

152. The Federal Circuit has only cited the case a handful of times. See, e.g., *Princeton Vanguard, LLC v. Frito-Lay North Am., Inc.*, 786 F.3d 960, 964 (Fed. Cir. 2015) (stating that the TTAB's legal conclusions are reviewed de novo, without mentioning *Eastman*); *In re Pacer Tech.*, 338 F.3d 1348, 1349 (Fed. Cir. 2003) (same).

153. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996). *Merck* specifically held that the Patent and Trademark Office lacked substantive rulemaking authority to interpret the Patent Act. However, the language of rulemaking authority in the Patent Act and the Lanham Act is virtually identical. Thus, the reasoning in *Merck* should also apply to rulemaking authority with respect to the Lanham Act. Compare 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."), with 35 U.S.C. § 2(b)(2)(A) (2012) ("The Office may establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office . . ."). It does not appear that the Federal Circuit has ever explicitly held that the Trademark Office lacks substantive rulemaking authority, nor has it analyzed what effect this lack of authority would have on the deference applied to the agency's legal constructions of the Lanham Act.

154. See, e.g., Merrill & Hickman, *supra* note 102, at 835; Cass R. Sunstein, *Chevron Step Zero*, 92 VA. L. REV. 187, 208 (2006) (noting that the major source of disagreement among the Justices involves whether *Chevron* is applicable at all).

155. Merrill & Hickman, *supra* note 102, at 849 n.83 (noting that courts were divided initially on whether agencies that lack legislative rulemaking authority are eligible for *Chevron* deference).

rejected the contention that substantive rulemaking authority was necessary for an agency's legal construction to be *Chevron* eligible. That is, *Mead* held that either a grant of rulemaking *or* formal adjudicatory authority was typically enough to infer a congressional intent to delegate force of law authority to an agency.

After *Mead* was decided, the Federal Circuit, at a minimum, should have revisited its *Merck* decision and analyzed whether the Trademark Office possessed formal adjudicatory authority. Better yet, the court should have considered whether the inter partes proceedings, even if perhaps not specifically required by Congress to be effectuated through formal adjudication, should nonetheless be the types of adjudications that warrant strong judicial deference. That, however, never happened. Instead, the court continued to review the Trademark Office's legal constructions of the Lanham Act de novo.

Though it is not clear that the Trademark Office's legal determinations warrant *Chevron* deference, what about *Skidmore*? Are there reasons to believe that the Agency's legal constructions of the Lanham Act should be reviewed de novo? No. As noted above, de novo review is appropriate only in a limited number of circumstances, including a possible statutory guarantee of a trial de novo.<sup>156</sup> Although, the Lanham Act does guarantee a trial de novo—an individual dissatisfied with a TTAB decision may pursue a civil action in a US District Court wherein new evidence may be presented.<sup>157</sup> If the district court decision is appealed, it is reviewed by the regional appellate court, not the Federal Circuit. If an aggrieved party chooses to appeal the TTAB decision directly to the Federal Circuit, rather than pursue a de novo civil action, review at the Federal Circuit is limited to the evidence produced before the Trademark Office.<sup>158</sup> Thus, there appears no reason under standard principles of administrative law for the Federal Circuit's de novo review of the Trademark Office's legal constructions of the Lanham Act. As a result, at a minimum, the Federal

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156. The other situations in which de novo review may be warranted are not present. For instance, it is clear that the Trademark Office, and only the Trademark Office, administers the Lanham Act. *See supra* notes 95–97 and accompanying text.

157. 15 U.S.C. § 1071(b)(1) (2012). In an analogous patent case, the Supreme Court ruled that district courts must review new evidence on a disputed question of fact raised below at the Patent and Trademark Office de novo. *Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012). Note that even though *Kappos* was a patent case, the parallels to district court challenges in trademark registration cases make its holding very likely controlling in the trademark context. *See Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 156 (4th Cir. 2014) (reasoning that *Kappos* is controlling law in the trademark context). An aggrieved party that is unhappy with the district court decision can appeal that decision to the appropriate regional appellate court.

158. 15 U.S.C. § 1071(a)(4).

Circuit should afford the TTAB's legal determinations *Skidmore* deference, and more provocatively *Chevron* deference.

This Subpart now turns to evaluating the deference standards that should be afforded the TTAB's legal determinations that are appealed to a district court, rather than directly to the Federal Circuit. Although an aggrieved party who pursues a civil action in federal district court is guaranteed a trial de novo, and thus § 706(2)(F) of the APA would govern, it does not necessarily follow that the TTAB's legal determinations should be afforded no deference. Instead, a district court's decision as to what deference, if any, is owed to the TTAB's legal determinations should depend upon whether new evidence is submitted on a disputed question of fact, and whether this new evidence is relevant in making the underlying legal determination at issue in the appeal.

If 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.<sup>159</sup> To illustrate this scenario, imagine that an aggrieved party appealed a TTAB decision, in which the Board determined that the mark in question was not confusingly similar to another mark, to a district court and provided new evidence regarding the factual issue of the similarity of the marks. Because the TTAB's legal determination that the two marks were not confusingly similar was predicated on a number of factual inquiries, including the similarity of the marks, the district court should not afford any deference to the Trademark Office's legal determination. As a matter of logic, a court that is assessing new evidence and making a legal determination based on that new evidence should not defer to the Trademark Office's decision because the Agency's legal determination could not have accounted for evidence that was never presented.<sup>160</sup>

Alternatively, if no new evidence is submitted or if the new evidence submitted does not inform the underlying legal determination, then

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159. *Kappos*, 132 S. Ct. at 1696.

160. Of course, a court that is presented with new evidence can always take into account the administrative record before the Trademark Office when making its de novo findings. *Kappos*, 132 S. Ct. at 1700 (quoting *Hyatt v. Kappos*, 625 F.3d 1320, 1335 (Fed. Cir. 2010)) (noting that it was within the discretion of the district court to "consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant's newly-admitted evidence").

deference should arguably be afforded to the TTAB's legal decision.<sup>161</sup> In *United States v. Haggart Apparel Co.*,<sup>162</sup> the Supreme Court clarified that a statutorily required trial de novo is not necessarily inconsistent with deferring to an agency's legal interpretation, even when new evidence is submitted. The Court held that *Chevron* deference can be given to an agency's notice-and-comment rulemaking "without impairing the authority of the court to make factual determinations, and to apply those determinations to the law, *de novo*."<sup>163</sup> While some caution is warranted in extending the reasoning of *Haggart* to a setting in which an agency interprets a statute for the first time in adjudication, it is likely that *Haggart* would be applicable in at least a subset of cases wherein the new evidence was irrelevant to the Agency's underlying legal determination.

To illustrate this scenario, imagine the TTAB interpreted the Lanham Act to provide trademark registration for product configuration—that is, the appearance of the product itself—but nevertheless denied the registration of a product configuration because it was functional. Further imagine the aggrieved trademark applicant appealed this TTAB decision to a district court and provided new evidence regarding the factual issue of whether the product configuration was functional. The Trademark Office's legal interpretation of the Lanham Act—that product configuration was protectable—is not predicated on a factual finding of functionality. Nothing with respect to new evidence submitted as to the functional nature of the product configuration in question would be relevant to the TTAB's determination that product configurations as a whole may be eligible for trademark registration. Thus, at least for some subset of cases the district court could review the factual issues de novo while also deferring to the TTAB's legal interpretations of ambiguous terms in the Lanham Act.

To date, district courts, and their respective regional circuits, have failed to engage in this sort of nuanced analysis. Because the overwhelming majority of Trademark Office appeals are taken to the Federal Circuit, and not to a district court, the jurisprudence emanating from regional circuits on the deference owed to the TTAB's legal constructions of ambiguous terms of the Lanham Act is very sparse.<sup>164</sup>

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161. *Hyatt*, 625 F.3d at 1332 (distinguishing *Morgan v. Daniels*, 153 U.S. 120 (1894), which held that district courts should defer to the Patent and Trademark Office's factual findings when no new evidence was presented, from a case in which new evidence was presented).

162. 526 U.S. 380 (1999).

163. *Id.* at 391.

164. Another contributing factor to the scarcity of regional circuit opinions addressing the deference owed to the TTAB's legal constructions is that the most frequently litigated issue at the TTAB—whether the mark is likely to cause confusion with an existing mark—is treated as a question

Nevertheless, the cases that have been decided demonstrate substantial disagreement on this issue. The Seventh Circuit, for example, has held that the Trademark Office's legal constructions are entitled to *Chevron* deference, while the D.C. District Court reviews the Agency's legal determinations de novo.<sup>165</sup> Moreover, the district courts and their respective regional circuits have not systematically acknowledged that the deference owed to the TTAB's legal determinations should depend upon both whether new evidence is submitted on a disputed question of fact and whether this new evidence is relevant in making the underlying legal determination at issue in the appeal.

In summary, this Subpart argued that the Federal Circuit's refusal to defer to the Trademark Office's legal determinations is unsupported by administrative law jurisprudence. At a minimum, the Federal Circuit should afford the TTAB's legal determinations *Skidmore* deference. More provocatively, this Subpart contends the Federal Circuit should afford the Agency's legal constructions of the Lanham Act *Chevron* deference. Additionally, this Subpart argues that the district courts and their respective regional circuits have demonstrated marked disagreement on the deference owed to TTAB legal determinations and have yet to engage in a sufficiently nuanced analysis in determining the proper standard of review that should apply to the Trademark Office's decisions. While aggrieved parties who pursue civil action in federal district court are guaranteed a trial de novo, it does not necessarily follow that the Trademark Office's legal determinations are owed no deference. Evaluating which deference standard should apply to the TTAB's legal determination should depend upon whether new evidence is presented on a

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of fact by the majority of the circuits. The First, Third, Fourth, Fifth, Seventh, Eighth, Ninth, Tenth, Eleventh, and the District of Columbia Circuits treat likelihood of confusion as a question of fact. *See, e.g.,* Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 377 (1st Cir. 1980); American Home Prods. Corp. v. Barr Labs., Inc., 834 F.2d 368, 370 (3d Cir. 1987); Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1526 (4th Cir. 1984); Marathon Mfg. Co. v. Enerlite Prods. Corp., 767 F.2d 214, 217 (5th Cir. 1985); Scandia Down Corp. v. Euroquilt, Inc., 772 F.2d 1423, 1428–29 (7th Cir. 1985); Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 398–99 (8th Cir. 1987); Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d 1352, 1355 (9th Cir. 1985); Beer Nuts, Inc. v. Clover Club Foods Co., 805 F.2d 920, 923 (10th Cir. 1986); Wesco Mfg., Inc. v. Tropical Attractions of Palm Beach, Inc., 833 F.2d 1484, 1488 n.6 (11th Cir. 1987); Reader's Digest Ass'n v. Conservative Digest, Inc., 821 F.2d 800, 804 (D.C. Cir. 1987). In contrast, the Second and Sixth Circuits treat likelihood of confusion as a mixed question of law and fact, while the Federal Circuit treats the question of likelihood of confusion as a question of law. *See, e.g.,* Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033, 1042 (2d Cir. 1992); Wynn Oil Co. v. Thomas, 839 F.2d 1183, 1186 (6th Cir. 1988); Giant Food, Inc. v. Nation's Foodservice, Inc., 710 F.2d 1565, 1569 (Fed. Cir. 1983).

165. *Compare* Kohler Co. v. Moen Inc., 12 F.3d 632, 634 (7th Cir. 1993) (applying *Chevron* deference to the TTAB's legal construction of the Lanham Act), *with* Pro-Football, Inc. v. Harjo, 284 F. Supp. 2d 96, 118 (D.D.C. 2003) (applying de novo review to the TTAB's legal conclusions).

disputed question of fact and whether this new evidence is relevant in making the underlying legal determination at issue in the appeal.

### *C. Factual Determinations*

This Subpart examines the proper deference standards that should be afforded the TTAB's factual determinations. Similar to the Agency's legal constructions, this Subpart concludes that the proper application of administrative law jurisprudence results in the Trademark Office's fact-findings being afforded a more deferential standard of review than the Federal Circuit currently grants them.

#### *1. Deference Jurisprudence with Respect to Factual Determinations*

Factual determinations are central to the Trademark Office's decision-making because many of the substantive standards for registration are factual inquiries. For instance, distinctiveness—the ability of a mark to identify the source of goods or services and distinguish those products from others in the marketplace, and which is a necessity for a mark's validity and registration—is a factual determination.<sup>166</sup> Even the substantive standards that are legal determinations—such as the likelihood of confusion—depend upon a number of factual inquiries.<sup>167</sup> In determining whether a mark is confusingly similar to another mark, the Trademark Office must consider thirteen factors, such as the similarity of

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166. See 15 U.S.C. § 1127 (2012) (defining “trademark” and “service mark” as words or designs used “to identify and distinguish” goods or services). Making this determination depends on the categorization of a mark along a continuum of distinctiveness—generic, descriptive, suggestive, arbitrary, or fanciful. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). Generic terms (which are never eligible for trademark registration or protection) identify the class of products (such as “e-mail” for e-mail or “tissue paper” for tissue paper); Descriptive marks, which can only be registered with proof of secondary meaning, describe some characteristic of the product (such as AMERICAN Airlines); Suggestive marks (which automatically meet the distinctiveness requirement for registration) require some imagination, thought, or perception to link them to the product (such as MICROSOFT for software); Arbitrary marks (which automatically meet the distinctiveness requirement for registration) are real words with no connection to the products they signify (such as SUN for computers); Fanciful marks (which automatically meet the distinctiveness requirement for registration) are coined terms (such as XEROX). The correct categorization of a given term along this spectrum is a question of fact. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 792–93 (5th Cir. 1983). Moreover, determining when a mark has secondary meaning in the minds of the consumer public is also a factual determination. *Id.* at 793.

167. See *Bose Corp. v. QSC Audio Prods., Inc.*, 293 F.3d 1367, 1370 (Fed. Cir. 2002) (recognizing that each DuPont factor presents a question of fact, but the ultimate question of whether a likelihood of confusion exists is a question of law).

the marks, the similarity and nature of the goods, and the fame of the prior mark, all of which are questions of fact.<sup>168</sup>

Section 706 of the APA outlines the standard of review that should be afforded to an agency's fact-finding. The governing standard of review depends upon whether the agency found facts through proceedings in which it was compelled to utilize formal adjudication. As noted above, formal proceedings mimic civil judicial trials and are governed by § 556 and § 557 of the APA.<sup>169</sup> Agencies are compelled to utilize formal proceedings when their organic statute requires their adjudicatory responsibilities to be effectuated by a "hearing on the record."<sup>170</sup> When an agency finds facts through formal procedures, § 706(2)(E) of the APA provides that courts may reverse its findings only if they are "unsupported by substantial evidence."<sup>171</sup> The Supreme Court in *Universal Camera v. NLRB*<sup>172</sup> interpreted substantial evidence review as an inquiry into whether the facts found were supported by "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion."<sup>173</sup> That is, "substantial evidence" exists if "a reasonable jury could have found" the facts the agency found.<sup>174</sup>

In contrast, informal proceedings are not afforded trial-like protections. In fact, the APA imposes only minimal procedures for informal adjudications. As a result, these proceedings often rely on the use of "inspections, conferences, and negotiations."<sup>175</sup> Agencies typically conduct informal adjudications whenever the statute does not contain the words "hearing" and "on the record" in elaborating their adjudicatory responsibilities. Under 706(2)(A), a court may overturn on review informal fact-finding (or fact-findings made in more formal proceedings

168. *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973) (noting the thirteen factors to consider are: the similarity of the marks; the similarity and nature of the goods; the similarity of established, likely-to-continue trade channels; the conditions under which and buyers to whom sales are made; the fame of the prior mark; the number and nature of similar marks in use on similar goods; the nature and extent of any actual confusion; the length of time during and the condition under which there has been concurrent use without evidence of actual confusion; the variety of goods on which a mark is or is not used; the market interface between the applicant and the owner of a prior mark; the extent to which an applicant has the right to exclude others from use of its mark on its goods; the extent of potential confusion; and any other established fact probative of the effect of use).

169. 5 U.S.C. §§ 556–557 (2012).

170. *Id.* § 554.

171. *Id.* § 706(2)(E).

172. 340 U.S. 474 (1951).

173. *Id.* at 477 (quoting *Consol. Edison Co. v. Labor Bd.*, 305 U.S. 197, 229 (1938)).

174. *Allentown Mack Sales & Serv., Inc. v. NLRB*, 522 U.S. 359, 366–67 (1998).

175. U.S. ATTORNEY GEN.'S COMM. ON ADMIN. PROCEDURE, ADMINISTRATIVE PROCEDURES IN GOVERNMENT AGENCIES, S. DOC. NO. 77-8, at 5 (1st Sess. 1941).

than the agency's organic statute required) if the fact-findings were done in an "arbitrary" or "capricious" manner.<sup>176</sup> To satisfy this standard of review, the Supreme Court has stated that the reviewing court

must consider whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment. Although this inquiry into the facts is to be searching and careful, the ultimate standard is a narrow one. The court is not empowered to substitute its judgment for that of the agency.<sup>177</sup>

While there is disagreement as to whether substantial evidence review differs in any meaningful way from arbitrary and capricious review,<sup>178</sup> the original intent of the APA seems to have been that substantial evidence was a more stringent standard of review than the arbitrary and capricious test.<sup>179</sup> The Federal Circuit jurisprudence draws a meaningful distinction between the two standards. The appellate court has stated that "arbitrary [or] capricious" is a *more* deferential standard of review than "substantial evidence," noting that the latter requires "analyz[ing] only whether a rational connection exists between the agency's factfindings and its ultimate action" whereas the former requires more than a rational connection.<sup>180</sup> Thus, to the extent the Lanham Act does not compel the Trademark Office to effectuate TTAB proceedings through formal adjudication, the Federal Circuit should apply the more deferential arbitrary and capricious standard when reviewing the Agency's factual findings. If, however, Congress intended the Trademark Office to effectuate inter partes proceedings through formal adjudication, then the

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176. 5 U.S.C. § 706; *see also* Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto. Ins. Co., 463 U.S. 29, 43 (1983); *Citizens to Pres. Overton Park, Inc. v. Volpe*, 401 U.S. 402, 419 (1971); *Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of Fed. Reserve Sys.*, 745 F.2d 677, 684 (D.C. Cir. 1984).

177. *Citizens to Pres. Overton Park, Inc.*, 401 U.S. at 416 (citations omitted); *see also* Paul R. Verkuil, *Judicial Review of Informal Rulemaking: Waiting for Vermont Yankee II*, 55 TUL. L. REV. 418, 424 (1981) (characterizing the *Overton Park* approach as "intrusive substantive review").

178. For instance, a very widely cited and followed case on this issue was an opinion written by then-Judge Scalia for the D.C. Circuit that held that the differences between the "arbitrary [or] capricious" and "substantial evidence" standards are "largely semantic." *Ass'n of Data Processing Serv. Orgs., Inc.*, 745 F.2d at 683-84; *see also* *Borough of Columbia v. Surface Transp. Bd.*, 342 F.3d 222, 241 n.3 (3d Cir. 2003) (holding that the "substantial evidence" and "arbitrary [or] capricious" standards provide no meaningful difference in level of deference); *Coteau Props. Co. v. Dep't of Interior*, 53 F.3d 1466, 1483 (8th Cir. 1995) (same); *Olenhouse v. Commodity Credit Corp.*, 42 F.3d 1560, 1575 (10th Cir. 1994) (same).

179. Jack M. Beermann, *Common Law and Statute Law in Administrative Law*, 63 ADMIN. L. REV. 1, 25 (2011) (noting that the substantial evidence standard of review is supposed to be less deferential than the arbitrary and capricious test).

180. *In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000).

Federal Circuit should apply the less deferential substantial evidence standard when reviewing the Agency's fact-findings made in these formal proceedings and the more deferential arbitrary and capricious standard when reviewing the Agency's fact-findings announced in trademark denial adjudications.

2. *Applying Deference Jurisprudence to the Trademark Office's Factual Determinations*

Until 1999, however, the Federal Circuit denied the applicability of the APA to the Trademark Office's fact-findings altogether. Instead, the appellate court insisted that the "clearly erroneous" standard (the standard that typically governs the review of a district court's fact-findings) governed review of the Agency's factual findings—a standard that is less deferential than either of the standards enunciated in the APA.<sup>181</sup> In 1999, the Supreme Court, in *Zurko v. Dickinson*, rejected the Federal Circuit's contention and held that the APA does govern the Patent and Trademark Office's decision-making.<sup>182</sup> At issue in *Zurko* was the appropriate standard under which to review the factual determinations of the Board of Patent Appeals and Interferences, which was later renamed the Patent Trial and Appeal Board, not of the TTAB.<sup>183</sup> While the BPAI, the patent counterpart to the TTAB, arguably conducted formal adjudication with respect to patent interferences, the vast majority of BPAI adjudications, including the adjudication of patent denials, were informal in nature.<sup>184</sup> Moreover, at issue in *Zurko*, and the cases discussed in-depth in this Subpart, was BPAI informal adjudication of patent denials.<sup>185</sup> The Supreme Court in *Zurko*, however, did not specify which of the two standards outlined in the APA should be applied when reviewing the Patent Office's factual determinations.<sup>186</sup>

Because, as discussed below, the Federal Circuit held, without any analysis, the deference owed to the Trademark Office's factual

181. *In re Zurko*, 142 F.3d 1447, 1450 (Fed. Cir. 1998) (noting that "clearly erroneous" is less deferential than the APA standards of review); *see also In re Hacot-Colombier*, 105 F.3d 616, 618 (Fed. Cir. 1997) (applying the clearly erroneous standard of review to TTAB fact-findings).

182. *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999).

183. *Id.* at 153.

184. *See* Craig Allen Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415, 1434 (1995) (noting that Patent Office proceedings associated with patent denials are informal in nature); Wasserman, *supra* note 74, at 1974–75 (discussing the informal nature of Patent Trial and Appeal Board adjudications); *see also supra* notes 73–74 and accompanying text.

185. *Zurko*, 527 U.S. at 165.

186. *Id.*

determinations is the same as the deference owed to the Patent Office's factual determinations, understanding the reasoning behind the latter is critical in analyzing the former. As a result, I now turn to applying the standard administrative law principles to review of the Patent and Trademark Office's fact-findings as well as critiquing *In re Gartside*, the case in which the Federal Circuit confronted the question of whether substantial evidence or the less deferential arbitrary or capricious standard governed the review of the Patent Office's factual determinations.<sup>187</sup>

The APA is structured so that § 706(2)(a) provides “arbitrary [or] capricious” review as a catch-all whereas § 706(2)(E) sets out the specific scenarios when the “substantial evidence” standard governs. Determining what standard should apply to the Patent Office's decisions should have been relatively straightforward. Section 706(2)(E) states that substantial evidence applies in cases “subject to sections 556 and 557 of [the APA] or otherwise reviewed on the record of an agency hearing provided by statute.”<sup>188</sup> Thus, § 706(2)(E) governs only formal proceedings—in other words, proceedings that resemble a civil judicial trial.<sup>189</sup> The first half of § 706(2)(E) would apply when the agency's organic statute utilized the magic words in § 554 of “hearing” and “on a record,” which trigger the formal provisions outlined in § 556 and § 557 of the APA. The second half of § 706(2)(E) applies to formal hearings in which the organic statute did not utilize the triggering language of § 554 but instead listed within the statute itself the formal protections of § 556 and § 557 or similar trial-like protections.<sup>190</sup> That is, it applies where the organic statute of an agency states that its adjudicatory obligation must be effectuated by, among other things, a neutral hearing officer who is prohibited from participating in ex parte communications and presides over the case and grants parties to the proceeding the right to conduct cross-examination of witnesses. Because the adjudications at issue both in *Zurko v. Dickinson* and *In re Gartside* were informal patent denials, the Federal Circuit should have found the substantial evidence standard was inapplicable and the more deferential “arbitrary [or] capricious” standard governed.<sup>191</sup>

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187. *In re Gartside*, 203 F.3d 1305, 1305 (Fed. Cir. 2000).

188. 5 U.S.C. §§ 706(2)(A), 706(2)(E) (2012).

189. *Id.* §§ 556–557.

190. One example of a statute requiring formal procedures would be rulemaking under the Clean Air Act, as Congress has required the Environmental Protection Agency to conduct what amounts to an evidentiary hearing. 42 U.S.C. § 7607(d) (2012).

191. The Patent Office recently obtained new adjudicatory authority which resembles formal adjudication. For an argument as to how this new authority anointed the Patent Office the primary interpreter of the Patent Act, see Wasserman, *supra* note 74, at 1959.

The Federal Circuit, however, had other ideas and managed to find the path of less deference.<sup>192</sup> Although the court acknowledged in *In re Gartside* that the BPAI did not conduct formal proceedings under § 556 and § 557 with respect to patent denials, it nevertheless found that the second half of 706(2)(E) governed. The Federal Circuit held that because one statutory provision of the Patent Act states that the Federal Circuit “shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office”<sup>193</sup> and another provision refers to appeals at the BPAI as being “heard,” and because only the BPAI has the authority to grant a “rehearing,” substantial evidence review was appropriate.<sup>194</sup>

The Federal Circuit’s reasoning is troubling on several fronts.<sup>195</sup> At a conceptual level, the appellate court’s analysis—its searching for “on the record” and “hearing” in the Patent Act—would have been more appropriate if the appellate court had determined the first half rather than the second half of § 706(2)(E) applied to the Patent Office’s fact-finding. That is, the court’s strained interpretation of the APA contravenes the standard understanding that “otherwise reviewed on the record of an agency hearing provided by statute” governs when an implementing statute requires the agency to conduct what amounts to an evidentiary hearing. Because the Patent Act did not contain any language requiring the BPAI to partake in an evidentiary hearing wherein parties cross-examine witnesses, object to evidence presented, or take advantage of any of the other protections that are typically associated with formal adjudication, the second half of § 706(2)(E) is inapplicable.

Moreover, even considering the court’s analysis through the lens of the first half of § 706(2)(E), the Federal Circuit’s reasoning still misses the mark. Although the statutory provision of the Patent Act enumerating BPAI duties includes the authority to grant a “rehearing” and states that each appeal shall be “heard,” importantly, it does not utilize the word

192. *Gartside*, 203 F.3d at 1312.

193. *Id.* at 1313.

194. *Id.*

The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents . . . Each appeal . . . shall be *heard* by at least three members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant *rehearings*.

35 U.S.C. § 6 (2000) (emphasis added).

195. Stuart Benjamin and Arti Rai have criticized the reasoning of the Federal Circuit in *In re Gartside* and have made similar arguments as to why the appellate court’s analysis is flawed. See Benjamin & Rai, *supra* note 101, at 288–89.

“hearing.”<sup>196</sup> While this may seem like semantics, the absence of the word “hearing” has been of utmost salience in the line of jurisprudence delineating the triggering language of formal proceedings—that is, § 556 and § 557 of the APA.<sup>197</sup> Courts have repeatedly held that if the statute does not utilize the word “hearing” to describe an agency’s adjudicatory obligations, then the agency is not required to effectuate those obligations through formal proceedings.<sup>198</sup> Moreover, the “on the record” language the Federal Circuit cites is found in the statutory provision that governs the court’s review of the BPAI’s decisions, not in the provisions that enumerate the BPAI’s duties. That is, the “on the record” language does not support the contention that the BPAI itself may not consider any evidence that is not part of the record in making its determination. Thus, the first half of § 706(2)(E) also did not govern.<sup>199</sup> Because the Patent Act did not compel the Patent Office to partake in formal adjudication or in an evidentiary type hearing, the governing standard should have been arbitrary or capricious review.

Shortly thereafter, the Federal Circuit perpetuated the flawed reasoning in *In re Gartside* by holding, without *any* analysis, that the substantial evidence standard also applied to the Trademark Office’s factual determinations.<sup>200</sup> In *On-Line Careline v. America Online*, the Federal Circuit provided an ex-post justification for its earlier decision to extend substantial evidence review to the TTAB’s factual determinations.<sup>201</sup> The Federal Circuit’s analysis, however, was even less convincing than it was

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196. *Id.*

197. *See, e.g.,* Seacoast Anti-Pollution League v. Costle, 572 F.2d 872, 878 (1st Cir. 1978) (establishing the presumption that without congressional intent to the contrary, the statutory requirement of a hearing triggers the formal procedures in §§ 556–557); City of W. Chi. v. U.S. Nuclear Regulatory Comm’n, 701 F.2d 632, 641 (7th Cir. 1983) (establishing the presumption that when the statute required a hearing but lacked the “on the record” language, clear congressional “intent to trigger the formal, on-the-record hearing provision of the APA” must be present to require formal procedures); Chemical Waste Mgmt., Inc. v. EPA, 873 F.2d 1477, 1478 (D.C. Cir. 1989) (applying *Chevron* deference to an agency’s decision on whether the implementing statute that required a hearing required the agency to effectuate its adjudicatory obligations through formal proceedings).

198. Berry, *supra* note 113, at 552 (“[I]f the statute includes no references to hearings, then almost certainly formal procedures should not be required.”); *see also* Wasserman, *supra* note 74, at 1978–89 (discussing the three different approaches circuit courts have taken when faced with an implementing statute that utilizes the word “hearing” but not “on the record” with respect to the trigger provisions of formal adjudication).

199. Furthermore, the “on the record” language that triggers the protections outlined in §§ 556–557 of the APA is typically found in the statutory provision delineating the agencies’ adjudicatory obligations, not in the provision outlining the court’s review of the agency action.

200. *Recot, Inc. v. M.C. Becton*, 214 F.3d 1322, 1327 (Fed. Cir. 2000) (“We uphold the Board’s factual findings unless they are unsupported by substantial evidence.”).

201. *On-Line Careline, Inc. v. America Online, Inc.*, 229 F.3d 1080, 1084–85 (Fed. Cir. 2000).

in the patent context. The appellate court continued to misconstrue the second half of § 706(2)(E) by suggesting that because the Lanham Act also required the court to “review the decision from which the appeal is taken on the record before the Patent and Trademark Office,”<sup>202</sup> substantial evidence governed.<sup>203</sup> However, in *On-Line Careline*, the appellate court did not discuss, or even acknowledge, that the word “hearing” or any word whose root was “hear” did not appear in the provisions of the Lanham Act that enumerated the TTAB’s duties.<sup>204</sup> Thus, half of the key reason why the Federal Circuit held that substantial evidence governed the review of the Patent Office’s fact-findings was not present with respect to the Trademark Office.<sup>205</sup>

Similar to the patent scenario, the determination of which APA standard governed the Trademark Office’s factual findings should have turned on the formality associated with the proceeding. This determination should have been relatively straightforward, at least with respect to Trademark Office fact-findings announced in the adjudication of trademark denials. The absence of the word “hearing” in the Trademark Office’s adjudicatory obligations associated with trademark denials suggests that Congress did not compel the Trademark Office to utilize formal adjudication, and hence the first half of § 706(2)(E) did not govern the fact-findings of the TTAB.<sup>206</sup> Nothing in the Lanham Act suggests that

202. 15 U.S.C. § 1071 (2000).

203. *On-Line Careline, Inc.*, 229 F.3d at 1084–85.

204. *Id.* The provision in the Lanham Act that describes TTAB review of trademark denials states that “[a]n appeal may be taken to the Trademark Trial and Appeal Board from any final decision of the examiner in charge of the registration of marks upon the payment of the prescribed fee.” 15 U.S.C. § 1070 (2000). The provision in the Lanham Act that describes the Trademark Office’s adjudicatory obligations regarding inter partes proceedings states that “[i]n every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Director shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration. The Trademark Trial and Appeal Board shall include the Director, the Commissioner for Patents, the Commissioner for Trademarks, and administrative trademark judges who are appointed by the Director.” 15 U.S.C. § 1067 (2000).

205. *See In re Gartside*, 203 F.3d 1305, 1313 (Fed. Cir. 2000). In addition, the appellate court appeared only to be providing a post-hoc rationalization for why the APA substantial evidence standard applied in lieu of the less deferential court/court standard, which the court had previously held applied to the BPAT, to the TTAB’s factual determinations. The court never appears to have considered what it has characterized as the *more* deferential APA standard of arbitrary and capricious as applied to the TTAB’s factual determinations. *On-Line Careline, Inc.*, 229 F.3d at 1085 (noting that “[n]othing in these statutes suggests that the TTAB should receive any less deference on fact-finding than the BPAT”).

Note that if substantial evidence was appropriate for review of the Trademark Office’s factual findings, then it appears that the Agency was compelled to conduct formal adjudication. If that is the case, then the argument that the Agency’s legal determinations should be afforded *Chevron* deference is much stronger.

206. *See supra* note 170.

the TTAB must conduct what amounts to an evidentiary hearing wherein parties can present evidence and cross examine witness, among other things, when conducting a trademark registration denial proceeding.<sup>207</sup> Thus, the second half of § 706(2)(E) also did not apply. As a result, the Federal Circuit should have determined that the arbitrary and capricious standard governed review of the Trademark Office's factual determinations announced during the adjudication of trademark denials.

With respect to inter partes proceedings, or the adjudication of trademark registration grants, the analysis is arguably more nuanced. The Trademark Office utilizes formal adjudication to effectuate these proceedings, although it is unclear whether the Agency was compelled to do so or elected to utilize more formal proceedings than the Lanham Act required. If it was the former, then the second half of § 706(2)(E) would apply and substantial evidence would govern. If it was the latter, then the question becomes whether the Trademark Office's election into more formal proceedings than the Lanham Act requires is sufficient to find that § 706(2)(E) governs. Because the language of § 706(2)(E) states that substantial evidence is applied in cases "*subject* to sections 556 and 557 of [the APA] or otherwise reviewed on the record of an agency hearing provided *by statute*,"<sup>208</sup> the plain text of statute suggests no. Courts that have confronted this very issue have held that substantial evidence is inappropriate.<sup>209</sup> Thus, only if an agency is compelled to utilize formal proceedings should substantial evidence govern. As a result, to the extent the Lanham Act does not compel the Trademark Office to utilize formal procedures to effectuate inter partes proceedings, the Federal Circuit should have concluded that the more deferential standard of arbitrary and capricious applies for all TTAB proceedings.

What about district courts? Unlike appeals directly to the Federal Circuit, TTAB decisions appealed to a district court are guaranteed a trial de novo wherein new evidence may be submitted. Similar to the Trademark Office's legal determinations, this Subpart argues that determining the proper standard of review that a district court should

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207. See 15 U.S.C. §§ 1067, 1070.

208. 5 U.S.C. § 706(2)(E) (2012) (emphasis added).

209. See *Doe v. Hampton*, 566 F.2d 265, 271 n.15 (D.C. Cir. 1977) (holding that substantial evidence review was inappropriate because agency action at issue was excluded from the applications of sections 556 and 557 and "no other statute require[d] . . . th[e] agency . . . [to] hold a hearing on the record, though . . . regulations [did]"); *Wroblaski v. Hampton*, 528 F.2d 852 (7th Cir. 1976) (holding that where the Civil Service Commission engaged in a hearing pursuant to a regulation, but not pursuant to a statute, the substantial evidence standard under 706(2)(E) was inapplicable).

afford the TTAB's factual determinations ought to depend on whether new evidence was submitted to the district court.

If new evidence is submitted, recent case law suggests that the district court should afford no deference to any of the factual determinations made by the Trademark Office. That is, the Supreme Court in *Kappos v. Hyatt* considered the proper standard of review that should govern the Patent Office's fact-findings in a civil action before a district court where new evidence was submitted.<sup>210</sup> The Court held that if new evidence is presented on a disputed question of fact, the district court must make *de novo* factual findings that take account of both the new evidence and factual determinations made by the Patent Office.<sup>211</sup> The Court, however, stated that district courts are free to determine, within their discretion, the weight to be given to the new evidence.<sup>212</sup> Because of the statutory similarities between the trial *de novo* guaranteed by the Patent Act and by the Lanham Act, there is little reason to believe that *Hyatt* does not control in the trademark context. In fact, the one circuit that has confronted this issue, the Fourth, has ruled as such.<sup>213</sup> Alternatively, if no new evidence is submitted, there is still the possibility that the TTAB's fact-finding may warrant deference.<sup>214</sup> In this circumstance, the district court's role is nearly identical to that of the Federal Circuit's—review of facts found by the Trademark Office—and hence arguably the same standards should govern review of the TTAB's factual determinations.

Similar to legal determinations, a circuit split exists as to the proper deference owed to the Trademark Office's factual findings. Some circuits apply *de novo* review of all evidence without regard to whether it was originally before the Trademark Office,<sup>215</sup> others apply a “thorough conviction standard” to the new evidence,<sup>216</sup> while still others review new

210. *Kappos v. Hyatt*, 132 S. Ct. 1690, 1694–95 (2012).

211. *Id.*

212. *Id.*

213. *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150 (4th Cir. 2014).

214. The Federal Circuit has held as such in the patent context. *Hyatt*, 625 F.3d at 1336 (“[I]t is well settled that a reviewing court must apply the APA’s court/agency standard of review to Patent Office fact-findings when no new evidence is admitted in a [civil action].”).

215. *See Standard Oil Co. v. Osage Oil & Transp. Inc.*, 10 U.S.P.Q.2d 1554, 1556 (N.D. Okla. 1988) (“[W]hen ‘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 [B]oard.”); *Consolidated Cosmetics v. Neilson Chem. Co.*, 109 F. Supp. 300, 307–08 (E.D. Mich. 1952) (“The present case . . . is an independent action in which the questions are tried *de novo*, upon all the evidence, new and old.”).

216. *See Material Supply Int’l, Inc. v. Sunmatch Indus. Co.*, 146 F.3d 983, 989–90 (D.C. Cir. 1998) (quoting 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 21:21, at 21–26 (4th ed. 1997)) (internal quotation marks omitted) (“[F]indings of fact made by the

evidence de novo and evidence before the TTAB under a deferential standard of substantial evidence.<sup>217</sup> For the reasons stated above, this Article argues this is wrong as a matter of doctrine, at least with respect to the review of patent registration denials. Nevertheless, because *Hyatt* was recently decided at the time this Article was written, the extent to which district courts and their respective circuits will find *Hyatt* controlling and if these courts will apply *Hyatt* even when no new evidence is submitted remains to be seen.

In summary, this Subpart argued that the Federal Circuit currently fails to afford the Trademark Office's factual determinations sufficient deference. More specifically, it contends the Federal Circuit should be applying the more deferential standard of arbitrary or capricious when reviewing the Trademark Office's fact-findings announced during the TTAB's adjudication of trademark denials. In contrast, the deference owed to the Agency's fact-findings in inter partes proceedings depends upon whether the Trademark Office was compelled to effectuate these proceedings through formal adjudication. If Congress intended the Agency to utilize formal adjudication when conducting inter partes proceedings, then the arbitrary or capricious standard should govern. If the Agency elected to utilize more formal proceedings than the Lanham Act required, the Federal Circuit is correct that substantial evidence is appropriate. Additionally, this Subpart argued that the deference a district court should afford the TTAB's factual findings depends on whether new evidence on a disputed fact is submitted. If new evidence is submitted to the district court, then *Hyatt* is likely to control and de novo review is appropriate. If no new evidence is submitted, then the district court plays a role similar to the Federal Circuit's, and arguably the same standards should govern its review of the TTAB's fact-findings.

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[TTAB] are given great weight and not upset unless new evidence is introduced which carries thorough conviction."); see also *Coach House Rest., Inc. v. Coach & Six Rests., Inc.*, 934 F.2d 1551, 1557 (11th Cir. 1991); *Wells Fargo & Co. v. Stagecoach Props., Inc.*, 685 F.2d 302, 306 (9th Cir. 1982); *Aloe Creme Labs., Inc. v. Texas Pharmacal Co.*, 335 F.2d 72, 74 (5th Cir. 1964); *Wilson Jones Co. v. Gilbert & Bennett Mfg. Co.*, 332 F.2d 216, 218 (2d Cir. 1964); *Century Distilling Co. v. Cont'l Distilling Co.*, 106 F.2d 486, 489 (3d Cir. 1939).

217. See *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 675 & n.9 (7th Cir. 2001) (applying the substantial evidence standard of review to the TTAB's factual findings and for summary judgment purposes reviewing new evidence in the light most favorable to the nonmoving party). Notably, the Seventh Circuit explicitly endorsed the Federal Circuit's reasoning when it concluded that substantial evidence governed its review of fact-finding by the TTAB. *Id.* at 675–76.

#### D. Do the Standards of Review Really Matter?

Although theoretically the probability that agency action will be upheld should vary depending on the standard of review applied, do the standards of review really matter in practice? One might argue that a court that is hesitant to cede power to an agency may state that it is applying the relevant standard but fail to afford proper deference associated with that standard.<sup>218</sup> Is there any evidence that the standards of review affect the outcomes of judicial review proceedings?

To begin, there is a growing body of empirical studies that examine the relevance of the standard of review to judicial decision-making. The results, however, are mixed. Some studies suggest that a more deferential standard of review corresponds to higher affirmance rates for agencies,<sup>219</sup> while others find only a weak association between review standard and agency win rates.<sup>220</sup> The study that is most on point is that of Stuart Benjamin and Arti Rai, who examined whether changing the standard of deference from clearly erroneous (pre-*Zurko*) to the *more* deferential substantial evidence (post-*Gartside*) affected the Federal Circuit's review of the Patent Office's fact-findings.<sup>221</sup> Benjamin and Rai reported that for their sample of cases, the Federal Circuit affirmed the Patent Office's fact-

218. Cf. Thomas W. Merrill, *Judicial Deference to Executive Precedent*, 101 YALE L.J. 969, 980–84 (1992) (arguing that empirical evidence of Supreme Court decision-making immediately after the *Chevron* decision suggests that the Justices continued to apply the less deferential, pre-*Chevron* factors to cases). Alternatively, a reviewing court may improperly categorize agency action so that less deference is owed. See, e.g., Benjamin & Rai, *supra* note 101, at 331 (discussing how the Federal Circuit “on at least four occasions following the Supreme Court’s decision in *Zurko* . . . appeared to evade deference by recasting [a] [patent] appeal on a factual question into a determination of claim construction (which according to the court is an issue of law to be reviewed de novo).”).

219. See, e.g., William N. Eskridge, Jr. & Lauren E. Baer, *The Continuum of Deference: Supreme Court Treatment of Agency Statutory Interpretations from Chevron to Hamdan*, 96 GEO. L.J. 1083, 1091 (2008) (finding “some positive correlation” with the application of *Chevron* deference and high agency win rates); Peter H. Schuck & E. Donald Elliott, *To the Chevron Station: An Empirical Study of Federal Administrative Law*, 1990 DUKE L.J. 984, 1030 & tbl.3 (analyzing decisions by the courts of appeals that document a pre-*Chevron* affirmance rate of 71% versus a post-*Chevron* rate of 81%).

220. See, e.g., Richard J. Pierce, Jr., *What Do the Studies of Judicial Review of Agency Actions Mean?*, 63 ADMIN. L. REV. 77, 85–86 (2011) (finding that standards of review have “little if any explanatory value” because agency action is typically upheld at approximately the same rate, regardless of the standard of review applied); David Zaring, *Reasonable Agencies*, 96 VA. L. REV. 135, 136–37 (2010) (arguing that the standards of review do not matter in practice because, in part, of his findings that courts uphold agency action at approximately the same rate regardless of the standard of review applied); Paul R. Verkuil, *An Outcomes Analysis of Scope of Review Standards*, 44 WM. & MARY L. REV. 679, 718–20 (2002) (noting that, of the three standards of review studied, only one supported the proposition that there is a positive correlation between agency wins and the stringency of the standard of review).

221. Benjamin & Rai, *supra* note 101, at 332.

findings 67% of the time pre-*Zurko* and 81% of the time post-*Gartside*.<sup>222</sup> Thus, the authors concluded that the change in standard has had some impact on the Federal Circuit's decision-making, although they are careful not to make any strong conclusions given, among other limitations, their small sample size.<sup>223</sup>

It is, however, difficult to know just what to make of these empirical studies, as many suffer from a series of selection biases that limit the causal inferences drawn from them.<sup>224</sup> Because these analyses fail to, among other things, take into account how the underlying population of cases that are appealed may differ across the standards of review, using them as the basis for any conclusion as to the effect of standards of review on judicial decision-making would likely be premature. Nevertheless, judges repeatedly state that the standards of review affect their decision-making. The judges of the Federal Circuit have repeatedly expressed the view that deference standards have a significant impact on the case's outcome.<sup>225</sup> Even legal realists, like Judge Richard Posner, have noted the substantial difference in how a judge approaches review under strong judicial deference versus no deference.<sup>226</sup> Although it is inevitable that courts will from time to time skirt the proper application of a deference standard, it is important to keep in mind that the point is not whether

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222. *Id.* at 333.

223. *Id.*

224. In order to determine whether a standard of review influences the judicial process, ideally one would want to observe if the court's decision to uphold the agency's legal interpretation varied as the standard of review changed. Of course, such counterfactuals do not exist in our legal system; the same case is not tried across multiple appellate courts that have been randomly assigned different standards of review. Selection biases in affirmance rate studies may confound the conclusions that can be drawn from them. First, the set of an agency's legal interpretations that are afforded de novo review likely vary substantially from those that are eligible for *Chevron* deference. As discussed above, de novo review is appropriate when an agency is interpreting a legal provision that it has no special authority to administer, such as the Constitution. *See supra* notes 95–97 and accompanying text. There may be something inherently different in reviewing the construction of the Constitution than reexamining an agency's legal interpretation of its organic act that may skew the results. Second, the standard of review applied can affect a potential litigant's decision to appeal the agency's legal interpretation in the first place. If the potential litigant believes her chance of winning an appeal is inversely related to the strength of the deference afforded the agency's decision, then she may choose not to appeal marginal cases when a strong deference standard will be applied. As a result, the reversal rate of agency action that is afforded *Chevron* deference may be arbitrarily high, as litigants choose only to appeal cases where the agency seems clearly to have adopted an interpretation that was unreasonable. Thus, even if affirmance rate studies suggest there is only a weak association between review standards and agency win rates, the standards of review may still have a significant impact upon judicial decision-making. To be clear, often the authors of these studies acknowledge these limitations. *See, e.g.,* Benjamin & Rai, *supra* note 101, at 333.

225. Michel, *supra* note 6, at \*8 (“One of my main messages to you is that standards of review influence dispositions in the Federal Circuit far more than many advocates realize.”).

226. RICHARD A. POSNER, *HOW JUDGES THINK* 113–14 (2008).

courts ever improperly apply a standard of review, but whether, on looking at the totality of cases, the standard of deference has some bearing on the likelihood that a case will be upheld.

### III. IMPLICATIONS OF THE TRADEMARK OFFICE'S ELEVATED ROLE ON FEDERAL COURTS' VALIDITY DETERMINATIONS

The application of administrative law principles to TTAB proceedings undoubtedly results in elevating the role of the Trademark Office in the trademark system. At a minimum, the Agency's legal and factual determinations should, all else being equal, be upheld at a higher rate. This Part pushes beyond this initial implication and explores the extent to which the Trademark Office will play a greater role in shaping the substantive standards of trademark law outside the registration context. That is, to what extent will the Trademark Office's legal constructions of the Lanham Act also influence the development of the validity doctrines applied by federal courts during trademark infringement suits? The answer to this question will depend on the level of deference afforded the Agency's legal constructions of ambiguous terms of the Lanham Act.

If, for instance, *Skidmore* deference is owed to the Trademark Office's legal determinations, the Agency may affect the development of substantive standards when federal courts are making validity determinations in at least two ways. First, the Trademark Office, as it does now, may informally influence the decision-making of courts during trademark validity determinations—that is, during an infringement suit rather than during an appeal of registration determination. That is, to the extent any federal court has already addressed the legal issue during a registration context, that precedent could be influential in a trademark validity determination. Imagine that whether product configuration can qualify for trademark protection is an unsettled legal issue and that the Trademark Office decides this legal issue in the affirmative in a TTAB proceeding before a district court is faced with such a decision. Also imagine the Agency's decision is appealed to and upheld by the Federal Circuit under *Skidmore* deference. District courts and regional circuits that are subsequently confronted with whether product configuration should qualify for trademark protection during validity litigation may find the Federal Circuit's and TTAB's reasoning persuasive and hold that product configuration can qualify for trademark protection.

Second, the Trademark Office can more directly influence the development of substantive standards of trademark law during validity determinations. This scenario occurs when an appellate court has already

addressed the legal issue in the registration context and the same legal issue subsequently arises during trademark validity litigation decided by a court within the federal judicial circuit of the appellate court.<sup>227</sup> Imagine again that whether product configuration can qualify for trademark protection is an unsettled legal issue and that the Trademark Office decides this legal issue in the affirmative in a TTAB proceeding before a district court is faced with such a decision. Now consider that the TTAB's decision is initially appealed to the US District Court for the Southern District of New York and then to the Court of Appeals for the Second Circuit, wherein the latter upheld the Trademark Office's legal determination under *Skidmore* deference. A district court within the federal jurisdiction of the Second Circuit that is later faced with the issue of whether product configuration can qualify for trademark protection in a trademark infringement suit is bound by Second Circuit decisions, as are later Second Circuit panels.<sup>228</sup>

The Trademark Office's role in shaping the substantive standards that are applied in trademark litigation will even be greater if its legal decisions are afforded *Chevron* deference. In this scenario, the Agency's legal determinations announced during TTAB proceedings will carry the force of law.<sup>229</sup> Thus, the Agency would be able to informally and directly influence the development of trademark validity doctrines as described above for the *Skidmore* scenario. There is, however, at least one additional way in which the Trademark Office's role in the development of substantive trademark validity standards would be enhanced. The reviewing court of the Agency may be bound by the Trademark Office's legal interpretation of an ambiguous term of the Lanham Act even in the face of contrary judicial precedent. Thus, even if a federal court has interpreted an ambiguous term of the Lanham Act before the Trademark Office, the court must defer to the Trademark Office's legal construction as long as the Agency's interpretation is reasonable pursuant to the

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227. As discussed in Part II.B, if new evidence is submitted to the district court on a disputed question of fact and this new evidence is relevant to the TTAB's legal determination, then the court should afford the Agency's legal decision no deference. Thus, it is only when no new evidence is submitted to a disputed question of fact or when the submitted new evidence is irrelevant to the TTAB's legal determination that deference should be afforded the Agency's legal decision. As a result, only this latter scenario is at issue in this Part.

228. While it is conceivable that a later court may try to distinguish the prior ruling that the subsequent case arises in litigation and not registration context, historically, federal courts do not distinguish trademark validity doctrines in the registration and litigation context.

229. *See supra* Part II.B.

Supreme Court's decision in *National Cable & Telecommunications Ass'n v. Brand X Internet Services*.<sup>230</sup>

Finally, it should be noted that although the Trademark Office's role in crafting substantive trademark law would be greatly elevated if the Agency's legal determinations were afforded deference, the federal courts would continue to play a critical role in the development of trademark law in at least three ways. First, the federal courts would review the fruits of TTAB review proceedings. In this role, if *Chevron* deference were applicable, courts would continue to shape substantive trademark law by determining both whether the relevant language of the Lanham Act was ambiguous, and if so, whether the Trademark Office's interpretation of that language was reasonable. If *Skidmore* deference were warranted, courts would continue to influence substantive trademark law by determining if the TTAB's legal determinations were convincing. Second, the courts would also continue to play a significant role interpreting trademark law during validity disputes, although that role would be more circumscribed than it is presently. If, for example, litigants raise an issue that had been directly addressed by the Trademark Office during a TTAB proceeding and the reviewing court upheld that interpretation, a subsequent court in the same jurisdiction would apply the Trademark Office's determination without further interpretation. However, if a party raises a challenge to the validity of a trademark that implicates an ambiguity in the Trademark Office's interpretation or raises a question of first impression, the federal courts would continue to decide in the first instance what the appropriate legal standard should be. Third, the federal courts would remain the primary interpreters of the sections of the Lanham Act that are directed towards infringement and damages—standards the Trademark Office would not address during a registration determination.

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230. 545 U.S. 967, 982–83 (2005). It is also conceivable that granting the Trademark Office *Chevron* deference for its legal constructions of ambiguous terms of the Lanham Act could result in the Agency announcing substantive trademark law standards that govern the entire nation, bringing uniformity to the trademark standards across the regional circuits. That is, to the extent any federal court upholds the Agency's legal construction of an ambiguous term of the Lanham Act under *Chevron*, any subsequent court that considers the same legal issue may feel compelled to follow the earlier court's holding, even if the earlier court is subject to a different federal jurisdiction than the subsequent court.

#### IV. THE NORMATIVE CASE FOR DEFERENCE: COMPARATIVE INSTITUTIONAL ANALYSIS

So far, this Article has principally focused on the analytical question of how existing administrative law principles should apply to the judicial review of the Trademark Office's decision-making. Part II argued that the Federal Circuit affords *less* deference to the Trademark Office's legal and factual determinations than standard administrative law principles dictate, while Part III explored the elevated role the Agency would play in the trademark system if the Trademark Office's decisions were afforded more deference. While this account will provide courts and policymakers with guidance and is valuable in its own right, it does not address the normative question of how the institutional relationship between the Trademark Office and the federal courts should be structured. This Part begins this normative inquiry, taking as its baseline the principal goal of the trademark system—minimizing consumer search costs by enabling the public to easily identify a particular product from a particular source without unduly restricting orderly competition within the marketplace.<sup>231</sup> To guide this analysis, I draw on the large and growing body of literature on the topic of comparative institutional competence.<sup>232</sup> Moreover, this Part continues to focus particularly on the Federal Circuit, rather than the regional circuits. This Part does not purport to elucidate the ideal institutional arrangement between courts and agencies. Instead, the following discussion compares the relative strengths and weaknesses of the Federal Circuit and the Trademark Office with respect to the two canonical institutional design considerations: expertise and avoidance of capture or bias.

##### A. *Expertise*

This Subpart argues that the Trademark Office has a comparative institutional advantage in crafting substantive trademark doctrine to effectuate trademark law's principal goal.<sup>233</sup> But before making this

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231. See *supra* note 21.

232. See, e.g., GUIDO CALABRESI, *A COMMON LAW FOR THE AGE OF STATUTES* (1982); HENRY M. HART, JR. & ALBERT M. SACKS, *THE LEGAL PROCESS: BASIC PROBLEMS IN THE MAKING AND APPLICATION OF LAW* (William N. Eskridge, Jr. & Philip P. Frickey eds., 1994); DONALD L. HOROWITZ, *THE COURTS AND SOCIAL POLICY* 22–67 (1977); Cass R. Sunstein & Adrian Vermeule, *Interpretation and Institutions*, 101 MICH. L. REV. 885 (2003).

233. I have made similar arguments with respect to the Patent Office. See Wasserman, *supra* note 74.

argument, it begins by establishing the type of expertise needed to craft substantive trademark validity standards to reduce consumer search costs without unduly restricting orderly competition within the marketplace.

The ordinary consumer's mindset is central to trademark law and policy. Trademarks exist only to the extent that consumers perceive them as designations of source. The scope of protection afforded to the trademark holder turns on whether consumers perceive one trademark as referring to the source of another. Yet there is near universal agreement that, to date, trademark jurisprudence has evolved on the basis of judicial intuitions and subjective stereotypes rather than persuasive evidence concerning consumer behavior.<sup>234</sup> As a result, scholars generally accept that fields providing insight into consumer behavior—such as consumer psychology, the study of consumers and their behavior—can provide valuable information as to how the doctrines of trademark law should be crafted to promote the normative goals of the trademark system.<sup>235</sup>

Take for instance trademark distinctiveness, the key factual issue in assessing whether a mark is protectable and the scope associated with that protection. For word marks, the law has long embraced a taxonomy—established in *Abercrombie & Fitch v. Hunting World*—that determines protectability on the basis of a word's classification as “(1) generic, (2) descriptive, (3) suggestive, (4) arbitrary[,] or [(5)] fanciful.”<sup>236</sup> Words that fall into the last three categories are assumed to be protectable on the basis of an assumption about consumer perception of their distinctiveness:

234. *Anheuser-Busch, Inc. v. Holt*, 92 U.S.P.Q.2d (BNA) 1101, 1105 (T.T.A.B. 2009) (stating that the determination of which inherent distinctiveness category a mark belongs to is “often made on an intuitive basis rather than a result of precisely logical analysis”); Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 723, 772 (2004) (lamenting that trademark law has evolved on the basis of “personal intuition and subjective, internalized stereotypes,” not on “specific and persuasive evidence about consumer behavior.”); Thomas R. Lee, Glenn L. Christensen & Eric D. DeRosia, *Trademarks, Consumer Psychology, and the Sophisticated Consumer*, 57 EMORY L.J. 575, 649 (2008) (“Trademark law is far too dependent on assumptions about consumer behavior to continue to evolve in ignorance of an entire body of scholarship devoted to that very subject.”).

235. Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1014 (2001).

236. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9–10 (2d Cir. 1976). The taxonomy set out in *Abercrombie* has been repeatedly endorsed by the Supreme Court as establishing the governing framework for trademark distinctiveness under federal law. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210 (2000) (embracing “the now-classic test originally formulated by Judge Friendly”); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162–63 (1995) (citing *Abercrombie* for the proposition that “‘fanciful,’ ‘arbitrary,’ or ‘suggestive’ words or designs . . . almost automatically tell a customer that they refer to a brand”); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992) (approving of the “classic formulation set out by Judge Friendly” in *Abercrombie*).

they “almost automatically tell a customer that they refer to a brand.”<sup>237</sup> In contrast, words that fall in the second category (descriptive) are denied such presumed protection on the basis of a contrary assumption about consumer perception of their distinctiveness: that they describe a characteristic or quality of the product to which they are attached and thus would not be perceived automatically as source indicators. Courts overwhelmingly rely upon “subjective” and “intuitive” determinations when categorizing marks along the distinctiveness spectrum.<sup>238</sup> Consumer psychology could provide insight into the law’s longstanding assumptions about consumer perception of word marks that could lead to the modification of this spectrum while also providing guidance as to how to classify marks along the spectrum. Studies to date have called into question the legitimacy of this spectrum, suggesting that descriptive marks are no less source-indicating than are suggestive, arbitrary, and fanciful marks.<sup>239</sup>

Similarly, despite the central role that consumer sophistication plays in trademark outcomes, a divide exists as to whether the average consumer is highly susceptible to even the slightest suggestion of a connection between two trademarks or instead is an informed *sovereign* whose “degree of confusion [she is] actually likely to suffer is less than might otherwise be thought.”<sup>240</sup> Consumer psychology and consumer perception data could provide substantial guidance as to what conditions may affect the attention that can be expected to be given to a particular purchase.<sup>241</sup> By better defining the sophistication of the consumer, these fields could help craft the doctrines of substantive trademark law to better effectuate decreasing consumer search costs.

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237. *Qualitex Co.*, 514 U.S. at 162–63.

238. Lee, Christensen & DeRosia, *supra* note 234, at 577 (developing a model of consumer sophistication based on marketing and consumer psychology literature).

239. Thomas R. Lee, Eric D. DeRosia & Glenn L. Christensen, *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033 (2009); *see also* Jake Linford, *The False Dichotomy Between Suggestive and Descriptive Trademarks*, 76 OHIO ST. L.J. 1367 (2015) (arguing that cognitive and historical research into language change suggests that protecting suggestive marks without secondary meaning is unfounded).

240. Rochelle Cooper Dreyfuss, *We Are Symbols and Inhabit Symbols, So Should We Be Paying Rent? Deconstructing the Lanham Act and Rights of Publicity*, 20 COLUM.-VLA J.L. & ARTS 123, 154 (1996); *see also* Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020, 2042 (2005) (discussing the disagreement among trademark commentators on the average sophistication of a consumer). Compare Landes & Posner, *supra* note 22, at 284 (assuming a relatively low level of consumer sophistication), with Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 789 (1990) (“Consumers may be more sophisticated than the Landes and Posner model assumes.”).

241. Lee, Christensen & DeRosia, *supra* note 234, at 577 (developing a model of consumer sophistication based on marketing and consumer psychology literature).

However, it is also important to keep in mind that trademark law seeks to minimize consumer search costs *against* overly restricting competition in the marketplace.<sup>242</sup> If trademark protection becomes too strong, then orderly competition in the market—competition whereby one firm does not inappropriately take advantage of another firm’s brand—may be severely diminished.<sup>243</sup> At this point, trademarks may no longer serve as socially useful devices because their economic costs could swamp the informational efficiency gains associated with utilizing symbols to identify products. As a result, understanding how to craft the doctrines of trademark law to reduce consumer search costs must be balanced against overly restricting marketplace competition. Thus, economic expertise with respect to competition within markets is also useful in crafting substantive trademark standards to promote the normative goals of the trademark system.

Therefore, the institution charged with creating sound trademark policy needs access both to consumer perception and economic data, as well as sufficient expertise to analyze and interpret this information. Although one of the conclusions of the comparative institutional literature is that agencies’ information-gathering procedures and expertise are superior to courts,<sup>244</sup> the semi-specialization of the Federal Circuit casts doubt on whether this norm should extend to the trademark system. Even taking into consideration the Federal Circuit’s semi-specialization, this Subpart concludes that the Trademark Office is still more likely than the Federal Circuit to possess the characteristics necessary to adjust the trademark standards towards optimally balancing reducing consumer search costs against overly restricting competition. More specifically, this Subpart concludes that although the Trademark Office is not currently optimally structured to perform this role, it, unlike the Federal Circuit, could be transformed into an institution that could conceivably perform this function. That is, the Trademark Office could grow and restructure its trademark policy division to perform robust data gathering and data analysis that would guide the development of guidelines demarcating how substantive trademark doctrines should be crafted to better effectuate the goal of trademarks. Trademark examining attorneys and TTAB judges could then rely upon these guidelines in making their registration determinations.

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242. See WORLD INTELL. PROP. ORG., *supra* note 16, at 83, 93.

243. *Id.* at 94.

244. See Louis L. Jaffe, *James Landis and the Administrative Process*, 78 HARV. L. REV. 319, 324 (1964); Sunstein, *supra* note 15, at 2079.

To begin, the Trademark Office generally possesses superior mechanisms to gather information necessary to make informed trademark policy decisions. The agency conducts hearings and roundtable discussions,<sup>245</sup> partakes in research studies,<sup>246</sup> and works closely with other expert federal agencies. The Trademark Office also routinely engages in rulemaking procedures that are specifically designed to encourage interested parties to communicate relevant viewpoints and information to the Agency.<sup>247</sup> Admittedly, the Trademark Office would need to expand this host of information-gathering techniques and rely upon them more heavily to collect the consumer perception and economic data necessary to craft substantive trademark law which in turn will better promote the goals of the trademark system. The point is not that the Trademark Office, as currently structured, is optimally suited to performing this task, but instead that the Agency could conceivably be further transformed into an institution that could conceivably perform robust data gathering.

In contrast, the Federal Circuit, like all appellate courts, is limited to the record developed by interested parties.<sup>248</sup> Litigants, of course, can present expert witnesses and survey evidence that provide courts with some consumer behavior information. Nevertheless, it is generally thought that this information is biased towards the retaining party, diminishing the value of this information in the first instance.<sup>249</sup> As a result, it is not too

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245. For instance, the Trademark Office has held public hearings on Official Insignia of Native American Tribes, *Public Hearings*, U.S. PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/patent/laws-and-regulations/public-hearings> (last modified Aug. 1, 2007), and roundtable discussions on ensuring the accuracy and integrity of the trademark register as well as amendments to identifications of goods and services due to technological evolution. *Initiatives and Events*, U.S. PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/trademark/trademark-updates-and-announcements/initiatives-and-events> (last modified Aug. 25, 2015).

246. The Trademark Office has studied a host of trademark-policy issues, including trademark litigation tactics and federal government services to protect trademarks and prevent counterfeiting, U.S. DEP'T OF COMMERCE, REPORT TO CONGRESS: TRADEMARK LITIGATION TACTICS AND FEDERAL GOVERNMENT SERVICES TO PROTECT TRADEMARKS AND PREVENT COUNTERFEITING (2011), available at [http://www.uspto.gov/ip/TMLitigationReport\\_final\\_2011April27.pdf](http://www.uspto.gov/ip/TMLitigationReport_final_2011April27.pdf), and post registration proof of use. *Initiatives and Events*, *supra* note 245. Moreover, the Office of the Chief Economist at the Patent and Trademark Office includes within its research agenda "researching the economics of trademarks and trademark examination" and "analyzing the role that IP plays in the markets for technology and knowledge." *Research Agenda*, U.S. PATENT AND TRADEMARK OFFICE, <http://www.uspto.gov/about-us/organizational-offices/office-policy-and-international-affairs/office-chief-economist-1> (last modified Aug. 28, 2013).

247. U.S. PATENT AND TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMPEP), CHAPTER 800—APPLICATION REQUIREMENTS (2014).

248. See, e.g., Kenneth Culp Davis, *Judicial, Legislative, and Administrative Lawmaking: A Proposed Research Service for the Supreme Court*, 71 MINN. L. REV. 1, 10–17 (1986).

249. See, e.g., *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) ("[C]onsumer surveys . . . are . . . not immune to manipulation.").

surprising that empirical studies of trademark disputes find that judges tend to ignore consumer perception evidence altogether.<sup>250</sup> While courts have some make-shift mechanisms to augment their access to information, these approaches tend to be poor substitutes for the information-gathering powers of agencies.<sup>251</sup> For instance, while the Federal Circuit routinely considers amicus curiae briefs, the appellate court is still dependent on the briefs containing the information necessary to adjust the standards of trademark law to promote the normative goals of the system. If such information is not submitted, the Federal Circuit cannot, unlike the Trademark Office, order its own fact-findings to make up for the insufficiency.<sup>252</sup>

However, even assuming that the Federal Circuit had the same access to consumer perception and economic data as the Trademark Office did, there is little reason to believe that its ability to analyze and understand this information surpasses that of the Trademark Office. None of the Federal Circuit judges or their personnel are trained in fields of consumer behavior or economics.<sup>253</sup> Thus, even if economic or consumer perception data was provided to the court through some means, it is highly unlikely that judges could evaluate the merits of such studies. This may be especially true when conflicting studies are submitted. It is well known that judges struggle to evaluate survey methodology, especially when confronted with dueling expert testimony.<sup>254</sup> It is also unlikely that judges would be able to fully appreciate the limitations on the conclusions that can be drawn from these empirical studies on consumer perception or economic data more generally—for example, is the study that finds students do not find descriptive marks any more source identifying than

250. See, e.g., Beebe, *supra* note 99, at 1641 (finding that “the conventional view of the utility of survey evidence may be incorrect” as only twenty percent of the cases in his sample addressed survey evidence, ten percent credited survey evidence, and seven percent ruled in favor of the outcome that the credited survey evidence favored); cf. Peter Weiss, *The Use of Survey Evidence in Trademark Litigation: Science, Art or Confidence Game?*, 80 TRADEMARK REP. 71, 83 (1990) (“[A] reading of the many cases in which either great weight or little weight was given to survey evidence will, I feel reasonably certain, lead most objective analysts to the conclusion that, while some surveys went down because they were indeed ‘seriously flawed,’ many others either stayed up or went down depending on the result which the judges wanted to reach . . .”).

251. See, e.g., Michael J. Burstein, *Rules for Patents*, 52 WM. & MARY L. REV. 1747, 1786–87 (2011).

252. *Id.* at 1787.

253. See *Judges*, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/judges> (last visited Apr. 18, 2016).

254. Bone, *supra* note 24, at 2131 (footnotes omitted) (“Consumer surveys are the best evidence of secondary meaning, but surveys are difficult to design properly . . . . Judges also find it difficult to evaluate survey methodology, especially when confronted with competing expert testimony, and this increases the likelihood of error.”).

fanciful marks generalizable to all trademark disputes or only some subset?<sup>255</sup>

Finally, the Federal Circuit has shown little interest in developing policy expertise,<sup>256</sup> even though the court's jurisprudence has been routinely criticized for being overly formalistic and failing to engage with policy.<sup>257</sup> The appellate court's hesitancy to explicitly embrace a policymaking function is to some extent understandable. Judicial decision-making norms arguably counsel against unequivocal policy pronouncements. Yet, it remains difficult to understand the court's role, especially when deciding the meaning of an ambiguous term in the Lanham Act, as not involving at some level a policy determination.

Notably, in contrast to courts, agencies are expressly charged with making policy and weighing the costs and benefits of competing outcomes. Such explicit authority enables agencies to more fully embrace a policymaking function—that is, making discretionary judgments based on a range of competing options. However, even with such intellectual freedom, the Trademark Office has historically lacked robust economic and consumer psychology expertise that it needs to make informed trademark policy decisions. Unlike other agencies that specialize in protecting consumer behavior, the Trademark Office has never employed a large number of policy-oriented thinkers, economists, or consumer psychologists. This would undoubtedly need to be rectified before the Agency could tailor trademark standards to effectuate the normative goals of the trademark system. Nevertheless, the Agency has recently attempted to rectify this shortcoming. In 2010, the Trademark Office created an Office of the Chief Economist,<sup>258</sup> which has had an immediate impact on the Agency's decision-making.<sup>259</sup>

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255. See Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 508 (2008) (raising some concerns about “empirical and normative flaws in the cognitive theory” employed “to fill [trademark] dilution[] [law’s] theoretical vacuum”).

256. Many of its judges flatly refute that the Federal Circuit engages in any sort of policymaking. Colleen V. Chien, *Patent Amicus Briefs: What the Courts’ Friends Can Teach Us About the Patent System*, 1 U.C. IRVINE L. REV. 395, 398 & n.6 (2011) (“[Federal Circuit] judges insist that they do not ‘make policy’ but instead decide disputes between parties . . . .”); Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 803 & n.70 (2010).

257. John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 773–75 (2003).

258. *Office of the Chief Economist*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/about-us/organizational-offices/office-policy-and-international-affairs/office-chief-economist-6> (last visited Mar. 20, 2015).

259. For example, the Patent and Trademark Office's recent rules regarding its fees were based on economic modeling. PATENT & TRADEMARK OFFICE, U.S. DEP'T OF COMMERCE, DETAILED APPENDICES: PATENT FEE PROPOSAL (2012). *But see* Jonathan S. Masur, *CBA at the PTO*, 65 DUKE

Finally, there are reasons to believe that the Trademark Office may have the financial means to support a robust policy group. Recent legislation granted the Agency, for the first time, fee-setting authority.<sup>260</sup> This authority should enable the Trademark Office to raise funds to cover the additional personnel necessary to create a robust policy apparatus at the Agency. While the institutional design of the Trademark Office is currently suboptimal for promoting trademark policy, the Agency, unlike the Federal Circuit, has the potential to become an institution that could make informed, evidence-driven decisions on how to craft substantive trademark standards to effectuate the systems' underlying goals.

### *B. Capture and Institutional Bias*

Even though expertise may give rise to distinctive advantages with respect to institutional competence, specialization also has associated drawbacks—most saliently, the potential of “capture.” An institution’s repeated interaction with a narrow set of right holders may result in at least two pathologies. First, an institution may develop “tunnel vision,” pursuing its own technocratic viewpoints without sufficient regard for larger normative concerns.<sup>261</sup> Second, a set of constituents may directly capture an institution. The latter concern stems from the observation that concentrated, well-financed groups are more likely than diffuse, less organized entities to influence decision makers.<sup>262</sup> The result in either situation is that the institution will systematically make decisions that favor the interests of a narrow set of constituents over those of the general public.

The concerns associated with capture theory are most frequently attributed to agencies whose repeated interactions with their regulatory constituents could lead to distortions in the agencies’ decision-making. More recently, this theory’s application has been expanded to include the judiciary, as scholars observed that the adjudicative process is also

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L.J. 1701 (2016) (criticizing the Patent and Trademark Office’s cost-benefit analysis of its fee-setting rules).

260. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 10, 125 Stat. 284, 316–20 (2011) (codified in scattered sections of 35 U.S.C.).

261. See, e.g., STEPHEN BREYER, *BREAKING THE VICIOUS CIRCLE: TOWARD EFFECTIVE RISK REGULATION* 11–19 (1993).

262. See MANCUR OLSON, *THE LOGIC OF COLLECTIVE ACTION: PUBLIC GOODS AND THE THEORY OF GROUPS* 53–57, 132–34 (1971); Einer R. Elhauge, *Does Interest Group Theory Justify More Intrusive Judicial Review?*, 101 *YALE L.J.* 31, 32 (1991).

susceptible to the influence of interest groups.<sup>263</sup> Of course, beyond capture concerns, other institutional structures may exist that also systematically bias the organization's decision-making. Although these influences may not be directly related to expertise, any bias in an institution's decisional process is concerning—whether the institution is a court or an agency.

In comparison to its patent counterpart, the Trademark Office has been subjected to far fewer charges of institutional bias. More generally, the Trademark Office has not been thought of as being structured to favor the registration of trademarks. For instance, in contrast to patents, the fee structure associated with trademarks is better aligned to cover the costs associated with examining trademark applications.<sup>264</sup> In the fiscal year of 2014, the Patent Office garnered close to sixty percent of its budget through fees it only collected if it granted patents.<sup>265</sup> In contrast, the Trademark Office collected less than eleven percent of its budget through post-grant fees.<sup>266</sup> As a result, the Trademark Office is substantially less reliant upon granting trademark registrations for funding than the Patent Office is on allowing patents.<sup>267</sup> Equally as important, the Trademark Office has always heard from a more balanced set of constituents than its patent counterpart. While the initial trademark prosecution process occurs *ex parte*—that is, no third party is present to argue that the trademark should not be registered—the Trademark Office has always possessed robust adjudicatory authority to hear challenges to this initial registration

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263. Elhauge, *supra* note 262, at 67–68 (“[T]he same interest groups that have an organizational advantage in collecting resources to influence legislators and agencies generally also have an organizational advantage in collecting resources to influence the courts.”); Marc Galanter, *Why the “Haves” Come Out Ahead: Speculations on the Limits of Legal Change*, 9 *LAW & SOC’Y REV.* 95, 97–104 (1974) (noting that repeat players have advantages over parties that utilize the judiciary less frequently).

264. The Patent and Trademark Office is funded almost entirely through user fees. Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, § 10101, 104 Stat. 1388 (1990); U.S. GOV’T ACCOUNTABILITY OFFICE, GAO/RCED-97-113, *INTELLECTUAL PROPERTY: FEES ARE NOT ALWAYS COMMENSURATE WITH THE COSTS OF SERVICES*, at 3 (1997) (noting that “fees and costs tend to be more closely aligned in the trademark process [than in the patent process] because most income is received prior to the examination of the application”). My previous work has shown that the Patent Office’s historical fee structure likely biased the Patent Office towards issuing patents because the Agency garnered over half of its operating budget through fees it could collect only if it granted patents. 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).

265. See PATENT & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, PERFORMANCE AND ACCOUNTABILITY REPORT 2014, at 32–33, available at <http://www.uspto.gov/about/stratplan/ar/USPTOFY2014PAR.pdf>.

266. See *id.*

267. See sources cited *supra* note 264.

decision.<sup>268</sup> Thus, unlike the Patent Office, the Trademark Office has routinely interacted with constituents that are both for and against a broad scope for trademark law. This may have contributed to the Trademark Office's seemingly greater appreciation that overly strong trademark protection will result in unduly restricting marketplace competition. That is, while the Patent and Trademark Office's past rhetoric, including that its mission was "help[ing] customers get patents," reveals a culture that appears to be unduly influenced by the interests of patentees,<sup>269</sup> the Agency has made no such blatantly one-sided mission announcements with respect to trademarks.<sup>270</sup> Even though the Trademark Office does not appear to show tendencies of overly favoring trademark protection, concerns about capture and institutional bias should be further studied.<sup>271</sup> The Patent Office has been the subject of more scrutiny than the Trademark Office, and thus it is possible that structures overly favoring the registration of trademarks exist but have not yet been revealed.<sup>272</sup>

Finally, it is important to keep in mind that concerns over potential agency capture or bias represent a substantial objection to granting the Trademark Office more deference only to the extent that the judicial alternative is superior. The semi-specialization of the Federal Circuit has led some commentators to suggest that the appellate court has a pro-intellectual property rights bent, although these charges have been

268. See *supra* notes 63–67 and accompanying text; see also Wasserman, *supra* note 74, at 1975–77 (noting that the Patent Office historically lacked robust authority to adjudicate already granted patents).

269. U.S. Patent & Trademark Office, *Patent Business*, in CORPORATE PLAN-2001, at 23 (2001), available at <http://www.uspto.gov/web/offices/com/corpplan/pt04.pdf>.

270. Compare *Patent Business*, *supra* note 269, at 23, with U.S. Patent & Trademark Office, *Trademark Business*, in CORPORATE PLAN-2001 (2001), available at <http://www.uspto.gov/web/offices/com/corpplan/pt05.pdf>.

271. For instance, trademark examiners' compensation system mirrors that of patent examiners. There was widespread agreement among scholars that the latter favored the granting of patents. See 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. 557, 607 (1999) ("Consequently, the only way to earn bonus points with confidence is to allow a patent application."). Recent empirical work by Michael Frakes and myself that finds that as patent examiners are promoted, and receive less time to review patent applications, their grant rates increase dramatically, suggests that the incentives facing examiners are much more complicated than they were typically perceived. 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*, REV. ECON. & STAT. (forthcoming 2016).

272. For instance, the Trademark Office has less attrition than the Patent Office. It is possible that this breeds a more insular culture that could be more subject to capture. I thank Saurabh Vishnubhakat for making this point.

primarily asserted with respect to patents, not trademarks.<sup>273</sup> Nevertheless, the possibility that the Federal Circuit's decision-making process is unduly influenced by factions, at the very least, gives pause to dismissing the concept of the Trademark Office playing a larger role in trademark policy based solely on the potential of agency capture.

In sum, the Trademark Office possesses superior pathways to acquire consumer behavior and economic data, as well as the expertise to evaluate and analyze this information to craft substantive trademark law standards, to ultimately promote the normative goals of the trademark system. Even though neither the Federal Circuit nor the Trademark Office has historically shown strength in policy-making, the Trademark Office has recently made significant strides to correct this deficiency and at least could conceivably be restructured to perform this policy-making function. Moreover, although agencies in general are more likely to be captured by organized interests, the lack of charges suggesting the Trademark Office displays tendencies towards institutional bias suggests that this concern is not significant enough to outweigh the Trademark Office's associated expertise benefits. Thus, this Subpart ultimately concludes that both expertise and the avoidance of capture support the Federal Circuit granting *more* deference to the Trademark Office's decisions.

#### CONCLUSION

Administrative law has historically been treated as tangential, at best, to trademark law. The Supreme Court, however, made clear in 1999 that standard administrative law norms—including the APA—apply to the Patent and Trademark Office. This Article has argued that the Federal Circuit deference afforded to the Trademark Office's decisions is doctrinally incorrect. A proper application of administrative law jurisprudence results in the Federal Circuit affording *more* deference to both the Trademark Office's factual and legal determinations. While an application of the administrative law principles has substantial

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273. Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547, 1608 (2011) (“[T]he Federal Circuit has the disadvantage of having been structured from the beginning to meet the needs of patent interest groups.”); Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1099 (2003) (discussing the tunnel vision that may exist in the Federal Circuit); *see also* Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 3 (1989) (“[J]udges . . . are susceptible to ‘capture’ by the bar that regularly practices before them.”); Clarisa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965, 1971 (2009) (“Judges in specialized courts may come to identify a little too closely with the areas of law in which they specialize.”).

implications for the roles of trademark institutions, it also, as this Article argues, produces a normatively desirable result. Elevating the role of the Trademark Office ushers the trademark system into the modern administrative era, which has long recognized the deficiencies associated with judge-driven policy.