Reducing Intellectual Property Validity Conflicts

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Dickinson v. Zurko, 527 U.S. 150 (1999) held that the Administrative Procedure Act (APA) governs by default direct judicial review of all agency decisions. *Zurko* did not, however, address two issues important to holders of intellectual property: collateral review of agency decisions and the extent to which substantive agency views affect direct and collateral judicial review.

The concepts are similar, but collateral review is controlled by burdens of proof, not standards of review. Moreover, the APA applies only when other statutory standards are lacking. 15 U.S.C. § 1115(a) provides that trademark registrations (incontestability aside) constitute only prima facie evidence of validity. 17 U.S.C § 410(c) sets that presumption for works registered within five years of publication. Thus, either can be invalidated by a preponderance of evidence. 35 U.S.C. § 282 states only: “A patent shall be presumed valid.” Yet, courts have long required clear and convincing evidence to invalidate, and *Zurko* has no facial relevance.

17 U.S.C. § 702 gives the Register general authority, subject to Librarian approval, “to establish regulations not inconsistent with law” as needed for the work of the Office. Similarly, 35 U.S.C. § 2(b)(2)(A) & (C) give the PTO general authority, subject to policy direction of the Secretary of Commerce, to establish regulations to “govern proceedings” and “expedite the processing of applications.”

Prior equivalent language led the Federal Circuit to conclude that “the broadest of the PTO’s rulemaking powers… authorizes the Commissioner to promulgate regulations directed only to ‘the conduct of proceedings in the [PTO]’; it does not grant… authority to issue substantive rules.” Merck & Co., Inc. v. Kessler, 80 F.3d 1543, 1549–50 (1996). Likewise, nothing in § 702 seems to suggest that courts need to credit substantive determinations of the Copyright Office.

Despite that, the Supreme Court, unlike circuit courts, has shown deference to Registers' views when challenged collaterally. The Supreme Court has lacked occasion to consider direct challenges to Register's decisions, but other courts tend to defer. Whatever the context, it is difficult to find judicial respect for the substantive views of the Patent and Trademark Office (PTO).

The problem thus created for trademark registrants is well illustrated by a decade of uncertainty about the legitimacy of single-color registrations under 15 U.S.C. § 1052(f). In re Owens-Corning Fiberglas Corp., 774 F.2d 1116, 1128 (Fed. Cir. 1985), compelled the PTO to register such marks. Yet, other circuits were not obligated to honor such registrations prior to Qualitex Co. v. Jacobson Products Co., Inc., 514 U.S. 159 (1995).

That copyright registrants face a similar problem is illustrated by Advanz Behavioral Management Resources, Inc. v. Miraflor, 21 F.Supp.2d 1179 (C.D. Ca. 1998). Although that court clearly preferred otherwise, precedent required it to ignore registered copyright in an insurance form. *Id.* at1186.

Patentees, whose rights are determined by one circuit, do not encounter such problems. Nor do most agencies whose decisions are subject to challenge in multiple circuits. When overruled on a point of law, agencies often persist, hoping to create conflict and to be ultimately vindicated in the Supreme Court.

Possibly motivated by a desire to minimize its need to resolve such conflicts, the Court has, since 1944, encouraged judicial deference based on "the thoroughness evident in [an agency's] consideration, the validity of its reasoning, its consistency with earlier and later pronouncements, and all those factors which give it power to persuade, if lacking power to control." Skidmore v. Swift & Co., 323 U.S. 134, 140. Moreover, having found no such analysis of a non-binding customs determination, it recently remanded for a "*Skidmore* assessment". United States v. Mead Corp., 533 U.S. 218, 238-39 (2001).

At least since Blonder-Tongue v. University Foundation, 402 U.S. 313 (1971), IP owners have, unlike most agency heads, been unable to persist when confronted by conflicting judicial views. Enforcement of rights where they would be honored is apt to be barred by collateral estoppel once they have been invalidated in a hostile forum. As *Blonder-Tongue* notes, 402 U.S. at 332, such prospects are minimized when rights holders can choose the forum, but *Qualitex* and *Advanz* demonstrate that they cannot be eliminated.

Particularly when IP rights are involved, the Supreme Court should encourage consideration of potential divergence among circuits as an additional factor warranting deference to substantive agency views. Judge Easterbrook apparently contemplated that when he referred to "Mead-Skidmore deference" in Pivot Point Int'l, Inc. v. Charlene Products, Inc., 170 F.Supp.2d 828, 831 (N.D. Ill. 2001). Lacking explanation for the Copyright Office's registration of the work in question, however, he refused to defer to its views — nor did the circuit court consider them when it reversed and remanded.

Having *Qualitex* in mind, it might be better were Congress to designate the Federal Circuit's trademark validity decisions as universally precedential within the circuits. Expanded exclusive jurisdiction is not recommended, however. Problems generated by the Circuit's need to craft nearly an entire body of patent infringement law from scratch counsels strongly against that.

Likewise, one circuit's copyright decisions might be designated as universally precedential. In that situation, exclusive jurisdiction is less apt to leave significant doctrinal gaps, but the need is far from apparent.