

An Uncomfortable Fit?: Intellectual Property Policy and the Administrative State

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2009 SOUTHEASTERN ASSOCIATION OF LAW SCHOOLS PANEL DISCUSSION

AN UNCOMFORTABLE FIT?: INTELLECTUAL PROPERTY POLICY AND THE ADMINISTRATIVE STATE

The Southeastern Association of Law Schools (“SEALS”) panel was conducted August 4, 2009, as part of SEALS’ day-long Intellectual Property Workshop in West Palm Beach, Florida. Kali Murray† moderated the panel, which included Sapna Kumar, Jason Mazzone,** Hannibal Travis,*** and Jasmine Abdel-khalik.*****

KALI MURRAY:

I would like to welcome you to our panel today, *An Uncomfortable Fit?: Intellectual Property Policy and the Administrative State*. This panel responds to the considerable scholarship (including some conducted by the folks at this roundtable) on the increasing integration of administrative law into intellectual property policy.

Intellectual property is in a really interesting place right now when it comes to administrative law. We are moving from simple registration

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* Sapna Kumar is an Assistant Professor at the University of Houston Law Center. Her most recent article, *The Other Patent Agency*, examines the problems that have arisen with the increase in patent litigation in the International Trade Commission. Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529 (2009).

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*** Hannibal Travis is an Associate Professor of Law and Associate Dean for Information Resources at Florida International University College of Law. His article, *The Future According to Google: Technology Policy from the Standpoint of America’s Fastest-Growing Technology Company*, 11 YALE J. L. & TECH. 204 (2001), analyzes the emergence of net neutrality and global online freedom as two key elements of Google’s technology-related policy advocacy in Washington, D.C.

**** Jasmine Abdel-khalik is an Associate Professor at the University of Missouri-Kansas City School of Law. Her most recent work is *Is a Rose by Any Other Image Still a Rose? Disconnecting Dilution’s Similarity Test from Traditional Trademark Concepts*, 39 U. TOL. L. REV. 591 (2008), which suggests that similarity for purposes of trademark dilution should be assessed using a filtration test similar to that used in copyright for infringement.

and examination procedures to a more complex policy context. This policy context involves multiple stakeholders that seek to advance their causes at multiple administrative sites. This process is complicated even further because the primary administrative agencies in this area, the United States Copyright Office (“Copyright Office”) and United States Patent and Trademark Office (“USPTO”), have yet to be comfortably incorporated into the modern administrative regime.

In examining these issues, this round table will discuss the following topics. Each of us will take some time to describe current administrative practices and then take a shorter period of time to look at the normative consequences of this move. This panel is unique as we use an interdisciplinary perspective focused on intellectual property in administrative law. We will conclude with a question and answer session.

One of the primary reasons why I am excited about this panel is who is joining me today. This is my dream team of panelists on the subject of administrative law and intellectual property law. Joining me first to talk about patent law is Professor Sapna Kumar, who will be joining the University of Houston Law School this fall. Professor Jason Mazzone is a professor of law at Brooklyn Law School. He specializes in constitutional law and intellectual property law. Professor Hannibal Travis is an associate professor at Florida International University College of Law. Professor Travis works mainly in the areas of Internet law, intellectual property, and antitrust. Finally, we have Professor Jasmine Abdel-khalik, who is currently at the University of Missouri at Kansas City. She teaches, researches, and writes in the area of intellectual property law, specifically in trademark, unfair competition, and business torts.

We are first going to address the current landscape of administrative law and intellectual property practice. I thought it was important to do this from an interdisciplinary perspective so that we can see the connections between and differences among the respective fields.

The panel has “anointed” me to talk first about these issues. I have been asked to talk about administrative law and the USPTO. This is a particularly fraught issue right now in patent law because of the infamous case *Tafas v. Kappos*,¹ which looks at a series of rules issued by the USPTO that placed a limit on the number of continuation applications that can be filed by a patentee.² Other elements of the rule

1. *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009).

2. The USPTO, under the direction of David Kappos, its new Commissioner, has

were at stake in *Tafas*, but the one that caused the most controversy is the limit placed on continuation applications.

A key element of *Tafas* is the Federal Circuit's examination of the scope of the USPTO authority under Section 2 of the Patent Act. Section 2, the key grant of the USPTO's governing authority, states that "[t]he Office . . . may establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office."³ There are two administrative deference issues related to that language. The first deference issue is whether or not the USPTO should be offered deference when it is judging the scope of its rule making authority under the Administrative Procedure Act.⁴ The second deference issue is whether or not the USPTO should be afforded a particular deference to the rule making that it undertook related to continuation practices.

Tafas has been a really interesting moment in patent administrative law because the case demonstrates the fairly significant limitations that the Patent Act of 1952 has placed on administrative procedure and administrative action. As I have studied why so much conflict exists over Section 2, I have become very interested in what happened in the 1930s and 1940s in patent law around its incorporation into the administrative state.

If you look at the history of Section 2 you see that Section 2 and a number of the innovations that we see in the patent law, such as whether or not to have a centralized judiciary, were the subject of active debate pretty much from 1929 to 1946. In particular, when we look at the legislative history of Section 2, what we see is that they actually had alternative ways to define the USPTO's authority and decided not to undertake those paths. Instead, the intact language of Section 2 comes from the revisions to the Patent Act in the 1870s. So, when given a range of choices about how to define the authority of the USPTO, the patent drafters of the Patent Act of 1952 selected the narrowest choice after a very long debate about the scope and authority of administrative actors. This has had real consequence as we decided whether to give the USPTO more authority in this area.⁵

rescinded the rules at issues in *Tafas*. *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009). See Press Release 9–21, USPTO Rescinds Controversial Patent Regulations Package Proposed by Previous Administration, available at http://www.uspto.gov/news/09_21.jsp. *Tafas v. Dudas*, 541 F. Supp. 2d 805 (E.D. Va. 2008); *Tafas*, 586 F.3d 1369.

3. 35 U.S.C. § 2(b)(2)–(b)(2)(A) (2003).

4. See generally 5 U.S.C. §§ 511–599 (2006).

5. For a more in-depth analysis of these issues, see Kali Murray, *First Things, First: A*

The debate over Section 2 indicates a larger discomfort with what I call politics in the Patent Act. We see this in limits placed both on competitor standing and on third party standing to raise issues under the Patent Act. We see this in doctrines concerning fraudulent misconduct where you could have had a statutory patent fault standard, but the Patent Act of 1952 leaves it instead to equitable considerations by the court. It turns out that in every decision as it relates to sort of significant politics of intellectual property law, the Patent Act of 1952 picks a constrained choice.

So, we have now developed dysfunctional politics of patent law in this area because of that particular constraint. This causes real problems in the overall administrative contours of the patent regime. In particular, this causes two problems. First, other administrative agencies are now applying patent law so we have a Patent Act that is fundamentally out of sync with the agencies' enumerated powers. Second, the USPTO was actually granted more significant administrative powers⁶ and that has fundamental consequences because the USPTO's actual authority is now compromised to undertake its broadened role in the patent regime.⁷

Now I am going to turn it over to Sapna to discuss the other patent agency.

SAPNA KUMAR:

I am going to discuss administrative law issues involving the International Trade Commission ("ITC"). Over the past decade, the ITC has emerged as the forum of choice for inventors whose patents have been infringed by imported goods. What makes this agency so interesting is that it makes decisions regarding patent validity and infringement in accordance with its own organic statute, Section 337 of the Tariff Act.⁸ Section 337 gives the ITC discretion to block goods from entering the country that "infringe a valid and enforceable United States patent"⁹ What constitutes a "valid and enforceable" patent is undefined in the statute, however, and Section 337 contains no textual cross-reference to the Patent Act.¹⁰ Congress has recognized that the

Principled Approach to Patent Administrative Law, 42 J. MARSHALL L. REV. 29 (2008).

6. Memorandum in Support of Defense Summary Judgment, *Tafas v. Dudas*, 541 F. Supp. 2d 805 (E.D. Va. 2008).

7. *See also* 35 U.S.C. § 2 (2003).

8. 19 U.S.C. § 1337 (2004).

9. 19 U.S.C. § 1337(a)(1)(B)(i) (2004).

10. 35 U.S.C. §§ 101–376 (2003).

ITC interprets patents for its own purposes for some areas of patent law, so that the ITC can protect U.S. companies from unfair competition. For example, the Senate Report for the Trade Act of 1974 states that when considering the validity of patents, the ITC “would also consider the evolution of patent law doctrines, including defenses based upon antitrust and equitable principles, and the public policy of promoting ‘free competition,’ in the determination of violations of the statute.”¹¹

This raises the question of what kind of deference the Federal Circuit should give to the ITC, given that it engages in formal adjudication. Practitioners have generally assumed that the Patent Act applies to the ITC. This perception was challenged by the Federal Circuit’s decision in *Kinik v. International Trade Commission*.¹² In that case, the ITC had determined that defenses available to patent infringers under Section 271(g) of the Patent Act could not be used in the ITC. In an opinion authored by Judge Newman, the court granted *Chevron*¹³ deference to the ITC, concluding that the agency was interpreting its organic statute in determining that Section 271(g) of the Patent Act does not apply to Section 337 proceedings. Although this portion of the opinion was dictum, it led to outrage in the patent community.¹⁴

A few years later, the Federal Circuit decided *Amgen v. International Trade Commission*, in which it affirmed the ITC’s decision that Section 271(e)(1) of the Patent Act does apply in ITC proceedings.¹⁵ Although this decision, like *Kinik*, was authored by Judge Newman, the court did not consider the applicability of *Chevron*. Thus, it is unclear at this time how much deference the ITC is entitled to for patent-related decisions. Is the ITC eligible for *Chevron* deference when it is deciding whether a patent is valid? Does granting deference make sense, given that both the agency and the reviewing court are experts?

On one hand, the ITC acts under an ambiguous organic statute that gives it broad discretion to make decisions about patent law in order to protect U.S. companies from foreign unfair competition. From this

11. S. REP. NO. 93-1298 at 196, *reprinted in* 1974 U.S.C.C.A.N. 7186, 7329. *See also* H.R. REP. NO. 93-571, at 78.

12. *Kinik v. Int’l Trade Comm’n*, 362 F.3d 1359 (Fed. Cir. 2004).

13. *Chevron U.S.A. v. Natural Res.*, 467 U.S. 837 (1984).

14. *See* Sapna Kumar, *The Other Patent Agency: Congressional Regulation of the ITC*, 61 FLA. L. REV. 529, 553–54 (2009).

15. *Amgen v. Int’l Trade Comm’n*, 565 F.3d 846, 854–55 (Fed. Cir. 2009).

perspective, granting *Chevron* deference to the ITC makes sense because the agency is deciding on a case-by-case basis what constitutes a valid and enforceable patent. But from a patent law perspective, deference is problematic. The Federal Circuit is an expert in patent law and requiring it to defer to the ITC would limit its ability to reconcile the ITC's treatment of patent law with decisions from federal district courts. There is consequently an open question regarding whether it would be preferable for the Federal Circuit to follow proper administrative law and grant or whether its current approach better promotes uniformity in the patent system. So I will leave it there and pass the baton to Jason.

JASON MAZZONE:

I am talking about copyright and administrative law. The basic story here is that there has been some increase in the role of administrative agencies with respect to copyright law but that this trend remains quite limited. So, let us back up. When Congress created the Copyright Office in 1897 as part of the Library of Congress, it was basically just a registry that registered copyrights, renewals, and transfers. The Copyright Act of 1909 gave the Copyright Office some additional duties, including the power to issue regulations that govern registration, but it was still basically a registry and record keeper.¹⁶ Under the Copyright Act of 1976, the Copyright Office remained principally a registry, fee collector, and record keeper.¹⁷ We see greater agency activity, however, under the '76 Act and particularly with subsequent amendments, I want to highlight here the issue of statutory licensing. The 1909 Act had created a compulsory license scheme for piano roles, with Congress itself specifying in the statute the rates and the terms of those licenses.¹⁸ The Copyright Act of 1976 expanded the areas of statutory licensing and created the Copyright Royalty Tribunal, an independent legislative agency, to set the rates and terms for statutory licenses.¹⁹ The Commissioners of the Copyright Royalty Tribunal are named by the President and confirmed by the Senate and they operate under the Administrative Procedure Act.²⁰ The Library of Congress

16. Pub. L. No. 60-349, 35 Stat. 1075 (1909), *amended by* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976).

17. 17 U.S.C. § 701 (1976).

18. Pub. L. No. 60-349, 35 Stat. 1075 (1909), *amended by* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976).

19. 17 U.S.C. § 505 (1976).

20. 5 U.S.C. §§ 511–599 (2006).

provides administrative support, but the tribunal is designed to be independent. Independence turned out not to be such a great thing and in 1993, Congress abolished the Copyright Royalty Tribunal and replaced it with the Copyright Arbitration Royalty Panels.²¹ These are panels convened periodically to review the rates and the terms of statutory licenses. The panels consisted of three arbitrators, two of whom were appointed by the Librarian of Congress, and then those two selected a third arbitrator as chair.²²

These panels were replaced in 2004 with what we have now: the Copyright Royalty Board.²³ It operates within the Library of Congress. The Royalty Board consists of three full time judges who are appointed by the Librarian of Congress. The judges are responsible for determining and adjusting the rates and terms of the statutory licenses and determining the distribution of royalties from the pools the Library of Congress and the Copyright Office administer.²⁴ The Copyright Royalty Board gets to issue its own regulations governing its procedures, but those regulations are subject to the approval of the Librarian of Congress.

The Royalty Board performs an important function because Congress has steadily increased the number of areas in which we have statutory licensing. We have statutory licensing in a variety of industries now, including for sound recordings of previously recorded musical works, cable and satellite television broadcasting of off-air programs, digital transmission of sound recordings, public broadcasting of various works, webcasting of sound recordings, and satellite radio. As a result, there are millions of dollars at stake in the rate setting by the Royalty Board. This, then, is a key area in which we see an important role of administrative agencies in copyright.

The Royalty Board is somewhat of a strange creation. The Librarian of Congress cannot review the Royalty Board's decisions on rates and it can only remove the judges for cause.²⁵ On the other hand, the judges on the Royalty Board do not have the same independence as the earlier Copyright Royalty Tribunal. The judges are meant to consult with the Copyright Office, and they are bound by the Copyright

21. Copyright.gov, Copyright Arbitration Royalty Panels (CARP), *available at* <http://www.copyright.gov/carp/> (last visited Mar. 25, 2010).

22. *Id.*

23. *Id.*

24. Copyright.gov, Cable Systems Factsheet on Filing Claims for Royalty Distribution, *available at* <http://www.copyright.gov/carp/cablefact.html> (last visited Mar. 25, 2010).

25. 17 U.S.C. §§ 111–120 (2009).

Office's interpretation of substantive law.²⁶ There is some question as to whether the Royalty Board is constitutional because the judges look like principal officers who, under the Constitution, would have to be appointed by the President and confirmed by the Senate. In any event since the '76 Act, we have an important agency role with respect to statutory licenses.

The other big piece of this story is rule making by the Library of Congress and the Copyright Office. The Digital Millennium Copyright Act directs the Librarian of Congress to issue exemptions for circumventing access controls to specific classes of copyrighted works when it is shown that access control technology has had a substantial effect on the ability of people to make non-infringing uses of those copyrighted works.²⁷ Proposals for administrative exemptions are submitted by the public to the Copyright Office, which conducts hearings and receives public comments and then recommends a final rule to the Librarian of Congress. Once adopted, these administrative exemptions last for three years. The most recent rule making cycle was in November 2007.²⁸

So, we have some increased activity by agencies administering copyright law in specific areas. That said, the role of agencies in copyright law remains very limited. We do not have an agency interpreting all of the various provisions of the Copyright Act, issuing a whole series of implementing rules that fill in gaps left by Congress, or adjudicating copyright disputes. Most of the law in this area is the business of Congress and of the courts, and where Congress and the courts do not regulate or do not regulate with sufficient precision or to the parties' liking, the market regulates.

I will say a little bit more later about why I think this is surprising and why there are some good arguments for extending the role of agencies in copyright law.

HANNIBAL TRAVIS:

The Federal Communications Commission ("FCC") is becoming a surprisingly interesting site of struggle between digital libertarians and intellectual property enthusiasts over the future of the Internet and user freedom in particular. This may be a byproduct of the careful balance

26. *Id.*

27. H.R. REP. NO. 105-796, at 59 (1998) (Conf. Rep.), available at <http://www.copyright.gov/legislation/hr2281.pdf>.

28. Copyright Arbitration Royalty Panels, *supra* note 21.

struck by Congress and the Supreme Court between intellectual property owners and digital media firms in the Digital Millennium Copyright Act²⁹ and *MGM Studios v. Grokster*.³⁰ My brief introduction into the intersection between copyright, new media, and the administrative state comes from two recent FCC forays into copyright-related issues.

My interest in this area grows out of my scholarship into two increasingly connected topics. One is the move toward obtaining the automatic filtering by Internet intermediaries such as Comcast, AT&T, Google, or YouTube of infringing audio or video clips that would otherwise be sent over the Internet. The second area involves attempts by Congress and the FCC to guarantee the neutrality of the Internet as regards different forms of content, applications, and protocols.

My story starts in 2002 when the FCC began a proposed a rulemaking proceeding called *In the Matter of Digital Broadcast Copy Protection*.³¹ This was part of the digital television transition package, which prompted producers of movies and TV shows to ask for a mandate that devices capable of receiving digital broadcast television prohibit the copying and transmission of the shows once they've been recorded off the air.³² It was one means of plugging the "analog hole" that comes from converting protected digital content into an analog format for legacy televisions.³³ The FCC adopted this mandate in 2003. The American Library Association and several consumer groups promptly sued, challenging the mandate as in excess of the FCC's jurisdiction. The Court of Appeals for the District of Columbia ("the DC Circuit") struck down the mandate as in excess of its jurisdiction.³⁴ The court noted that the Supreme Court had twice recognized the FCC's jurisdiction as quite broad and open-ended, but said that nevertheless, it still must be tethered to one of its statutory delegations of jurisdiction from Congress, and that Congress had not intended to

29. H.R. REP. No. 105-796, *supra* note 27.

30. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

31. 17 F.C.C.R. 16027 (2002).

32. See *Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property*, 108th Cong. at 42 (2003), http://commdocs.house.gov/committees/judiciary/hju85490.000/hju85490_of.htm (prepared statement of Fritz Attaway, Executive Vice President for Congressional Relations and General Counsel of the Motion Picture Association of America).

33. See *id.* at 46 (statement of Edward J. Black, President and Chief Executive Officer, Computer and Communications Industry Association).

34. *Am. Library Ass'n. v. F.C.C.*, 406 F.3d 689 (D.C. Cir. 2005) (herein "Broadcast Flag").

include and in fact had excluded the FCC from exercising jurisdiction over devices that were used after the transmission or broadcast of content over the wire or radio had been completed.³⁵ The FCC is not a consumer electronics agency, in other words.

The second part of my story is the *Comcast* case in August of 2008, in which the FCC concluded that it had jurisdiction to regulate the cable and DSL companies under its ancillary jurisdiction under the Communications Act.³⁶ The Commission was responding to complaints by consumer organizations, Internet law faculties, and others saying that Comcast's practice of slowing and degrading peer-to-peer and particularly bitTorrent traffic was an unreasonable network management practice, a form of non-network neutrality or network discrimination.³⁷ The FCC ordered Comcast to cease this practice or explain what its method for transitioning to a protocol-neutral network management practice would be.³⁸ Comcast is challenging the FCC's ruling or adjudication as in excess of the FCC's jurisdiction and citing *Broadcast Flag*.³⁹ Comcast is saying that the FCC should have had a proper rulemaking proceeding, with statutory notice, comment periods, and consideration of evidence.⁴⁰ It further claims that the evidence did not support an allegation of harm to specific types of content or to particular types of protocols because all it was doing really was preventing network congestion by this one protocol used by certain high bandwidth users in particular.⁴¹

Now this ruling was somewhat more interesting to me than *Broadcast Flag* because the FCC had to articulate a theory of the First Amendment in response to Comcast's First Amendment objections to being regulated in its provision of cable modem service. Comcast styled itself as an editor of the Internet on its subscribers' behalf, getting rid of spam and congestion and bad experiences. The FCC said that what its ruling was doing was, in fact, protecting the First Amendment by ensuring an open and undistorted service for Internet subscribers and subscribers of the other network providers to access and to use,

35. *Id.* at 702.

36. *See* 23 F.C.C.R. 13028, 45 Commc'ns Reg. (P & F) 1159, 2008 WL 3862114 (F.C.C.).

37. *Id.* at 13029 n.4, 13032–33, 13055, 2008 WL 3862114, at *2 n.4, 4, 17.

38. *Id.* at 13060, 2008 WL 3862114, at *20.

39. *Id.* *See* Reply Brief for Petitioner Comcast Corporation, *Comcast Corp. v. F.C.C.*, -- F.3d ---- (No. 08-1291), 2009 WL 3557932, at *4-5, 18-19 (Oct. 26, 2009).

40. *See id.* at *6–7.

41. *Id.* at *3–4, 22, 25–26.

including use by innovators who might want to distribute media content or video game content over the Internet.⁴²

The FCC's intervention into copyright disputes is provoking a bit of a collision between First Amendment interests. On the one hand, we have the interests of users in obtaining unfettered access to the Internet, and of providers in exploring new business models, new forms of Internet protocols, new applications, and new content. On the other hand, we have Comcast and other Internet intermediaries who may have an interest in discriminating against "bad" or congestive content and in favor of "good" or normal content.

The FCC's forays so far into copyright-related issues have not been entirely effective. As I said, the *Broadcast Flag* mandate was thrown out and has not been revived by Congress. The *Comcast* order is on somewhat sounder jurisdictional footing, but I think that it too is at serious risk of being thrown out as being based on what the FCC itself described as a non-enforceable policy statement and not a rule subject to deference or enforcement.⁴³

There are, however, some promising aspects of the FCC's new role. There is the somewhat greater speed and sophistication in the involvement of the FCC in these issues as compared to the federal courts which, as you know, take many years to wind a case through the system (for example, the *Microsoft* case). The FCC has a larger and more experienced staff, which may be able to delve more deeply into some of these technologically-sophisticated and complex issues. It may also, through the comment process, which it did utilize in *Comcast* to survey a broader swath of public opinion, get a sense of the public mood, and of social movements towards greater Internet freedom or Internet regulation.

JASMINE ABDEL-KHALIK:

So, I am the trademark person. My interest in administrative law within the trademark context comes from my scholarship in scandalous and disparaging trademarks as a registration prohibition and what that

42. See *Comcast*, 23 F.C.C.R. at 13041, 13053 n.203, 2008 WL 3862114, at *8, 16 n.203.

43. See *Comcast Corp. v. F.C.C.*, --- F.3d ---, 2010 WL 1286658, at *1, 12 (D.C. Cir. Apr. 06, 2010) (citing *Am. Library Ass'n v. F.C.C.*, 406 F.3d 689, 692 (D.C. Cir. 2005)). After this presentation was delivered in 2009, the United States Court of Appeals for the District of Columbia Circuit agreed with Comcast that the FCC had failed to show a basis for its order in a statutory grant of jurisdiction from Congress, citing *Broadcast Flag*. The court implied that the FCC could issue a new order linked to "express delegations of regulatory authority." *Id.*

might mean with respect to deference.⁴⁴

But before I get there, I want to start by talking about the USPTO in light of *Tafas*. The question is, whether, if there is substantive rule-making given to the USPTO on the patent side, it might make sense to think about the same thing on the trademark side—particularly because the operative language from *Tafas* applies to both patent and trademark. Section 2(b) of the Patent Act states that “[t]he office may establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office”⁴⁵ However, it is also fair to say that starting with such language indicates that the USPTO’s authority for trademark might be fundamentally different. The authority of the USPTO for trademark is actually in the Patent Act. I find this ironic because the language between the patent and trademark is distinct. On the patent side, the USPTO is responsible for the granting and the issuing of patents. This, of course, is based on the exclusivity of patent law at the federal level based on Article 1, Section 8 of the Constitution. But for trademark, the USPTO could not assert the same authority although they tried in the early trademark acts. And so trademark law at the federal level is based on interstate commerce while allowing for common law trademarks as well, and thus, the USPTO is tasked with being responsible for the *registration* of trademarks.⁴⁶

Other provisions of the Lanham Act and the Patent Act reinforce that there is in fact, a relatively large distinction between the functioning of the patent side of the USPTO and the functioning of the trademark side. Specifically, if you look at just Section 1 of the Lanham Act,⁴⁷ it seems pretty clear that, at least in its original conception, the Lanham Act was intended to register pre-existing trademarks. So the scope of what the USPTO was doing was more like the Copyright Act—a little bit more of a registry and a little bit less of a very intensive investigation into the authenticity and appropriateness of a mark serving as a trademark.

If you look at Section 2, for example, of the Lanham Act, which is the operative section for the registration, it says that, “[n]o trademark . . . shall be refused registration on the principal register [if it

44. Jasmine Abdel-khalik, *To Live in In-“fame”-y: Reconceiving Scandalous Marks as Analogous to Famous Marks*, 25 *CARDOZO ARTS & ENT. L.J.* 173 (2007).

45. 35 USC § 2(b)(2)(A) (2009).

46. 15 USC §§ 1051–1141n (2009).

47. 15 U.S.C. § 1051 (2009).

is distinctive] unless” it falls in one of the subsequent categories.⁴⁸ So again, it is more of an exclusion with a presupposition or a presumption that something that is already existing as a trademark under the common law is eligible for registration as long as it is being used in interstate commerce. This is very distinct from what the USPTO does on the patent side. The implication of that distinction is that with trademarks, again at least in its original conception, the USPTO is just recognizing things that already exist. Some of the older cases, like *In re Deister Concentrator*⁴⁹ from the CCPA in ‘61, reinforce that interpretation. The Lanham Act did not create trademarks; all it did was recognize trademarks that have been used in interstate commerce, and unless there is something pre-existing, there is nothing to register.

So the trademark side has a more limited role. What does that mean with respect to *Tafas*? Well as you may or may not know, the Federal Circuit said in *Tafas* that the USPTO on the patent side has no substantive rule making authority. However, it is being reheard *en banc*. Obviously, it could end up being heard by the Supreme Court, and there is a good argument, or at least an argument, that it will be overturned or at least modified. To the extent that that is the question, and part of this is all speculative because nobody has made these arguments in trademark, but the question might become: should we apply that same substantive rule making authority to the trademark side of the USPTO? Would it also, if the patent side has substantive rule making authority, have the same authority on the trademark side? I do not necessarily have an answer for you but I can say you cannot, based on statutory language and the different purposes of the trademark and patent side, automatically pre-suppose that whatever is true for patent, is true for trademark.

So it seems like, on the trademark side, you can have some distinctions. And it is entirely possible that, regardless of what happens in patent law, on the trademark side you still may not have substantive rule making authority because the original conception may be that the USPTO is to recognize preexisting trademarks only.

The reality is, of course, that substantively, the USPTO does not confine itself to the scope of common law trademarks and has used slightly different standards. For example, the likelihood of confusion test in the USPTO has thirteen factors under *Dupont*⁵⁰ as opposed to the

48. 15 U.S.C. § 1052 (2009).

49. *In re Deister Concentrator Co.*, 289 F.2d 496 (C.C.P.A. 1961).

50. *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973).

five, seven, eight, nine factor tests of various circuits.⁵¹ Why would we expect there to be cohesion with the common-law when the common law itself does not have cohesion on what constitutes likelihood of confusion factors, I suppose, is the question. But certainly it seems like the USPTO has taken upon itself to interpret the scope of the various terms in the Lanham Act, such as what constitutes a likelihood of confusion or whether you have trademark rights in the title of a single book. There is some authority that in the common-law you can have a title that would reach the level where you should have something at least analogous to trademark rights (if the title is distinctive). Nothing of the same type of right is recognized at the USPTO level.

But statutorily, Congress set up at least a few differences between the scope of what is allowed as a trademark in the common law and what is allowed at the USPTO and specifically (this is where I come in) with scandalous and disparaging trademarks. Section 2 of the Lanham Act says, in part, no trademark shall be prohibited unless, under Section 2(a), it is scandalous, disparaging, or immoral.⁵² There is no common law antecedent for this particular prohibition. There is nothing in the common law that says a scandalous trademark cannot function as a trademark.

The registration prohibition is not guided by the same principles that guide the rest of the exclusions. For example, a descriptive mark that has not achieved distinctiveness, a generic mark, or a mark that creates confusion—those all fit within the attempts to protect against anti-competitive effects of or against misleading use of marks. And that is reinforced by Section 45 of Lanham Act when it says that “the intent of this [act] is to regulate commerce . . . by making actionable the deceptive and misleading use of marks in . . . commerce; to protect registered marks”⁵³

As I have argued in other areas and other forum, deceptive and scandalous trademarks can still function as trademarks. It is not inability or deceptiveness that creates this registration prohibition. It seems more on the level of a moral imperative, if you will, not to have the federal government allow scandalous and immoral and disparaging marks. So, since there is no common law antecedent, one would naturally look to the legislative history. But there is almost no legislative history indicating what scandalous means or why that was

51. *E.g.*, *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

52. 15 U.S.C. § 1052.

53. 15 U.S.C. § 1127 (2006).

added into the act. There is a little bit of discussion, but not a significant amount. Again, as I have argued in other places, it looks like it was almost more to have cohesion with international norms and international statutes rather than because they had a clear sense of what they were looking to protect against by prohibiting the registration of these kinds of trademarks.

A critical case in scandalous and disparaging marks, *Pro-Football, Inc. v. Harjo*, which started in 1992 and has finally wrapped up, we think, in 2009.⁵⁴ So that is what, seventeen years of litigation, if you will, or dispute resolution. The case involves a group of Native Americans who, in 1992, filed a cancellation proceeding in the USPTO to terminate the registrations for the Washington Redskins marks, alleging that that term, Redskins, is both scandalous and disparaging. The distinction, as developed in this case, is that scandalous would be offensive to the general public and disparaging would be offensive to the particular group with whom that term is commonly associated or to whom it refers as a negative term.

So in 1994, there was a motion before the TTAB to strike affirmative defenses.⁵⁵ The owners of the team had filed several arguments, including a laches argument that the Native American petitioners had sat on their rights for too long and therefore this cancellation action should end. And the Board noted that, in prior rulings, the equitable defense of laches and estoppel are not available against claims of fraud and abandonment because there is a broader public policy at issue and a broader interest at issue that needs to be protected as opposed to just the private interests of the trademark opposer (or cancellation petitioner). In prior rulings, the TTAB had held that you cannot raise laches and estoppel when the mark is descriptive, deceptive, or within several other circumstances. So in 1994, the TTAB, using its own history and its own expertise in trademark law, said, look, when it comes to scandalous and disparaging remarks, there is a broader public interest here that makes a laches argument inappropriate. They are not saying it is a per se rule, but in this particular fact pattern, in this set of circumstances, it is not appropriate to allow a laches argument.

54. *Pro Football v. Harjo*, 565 F.3d 880 (D.C. Cir. 2009), *cert. denied* 130 S. Ct. 631 (2009); 567 F. Supp. 2d 46 (D.D.C. 2008); 415 F.3d 44 (D.C. Cir. 2005); 284 F. Supp. 3d 96 (D.D.C. 2003); 57 U.S.P.Q.2d (BNA) 1140 (D.D.C. 2000); *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d (BNA) 1705 (T.T.A.B. 1999).

55. 30 U.S.P.Q.2d (BNA) 1828 (T.T.A.B. 1994).

In 1999, five years later, they finally had a substantive ruling, and the TTAB cancelled the mark as disparaging, not scandalous, and did not reconsider laches. A month later, the football team owners filed a complaint in the district court seeking review, and in 2000, the court essentially considers a motion to dismiss, including one of the arguments once again, as laches.

In that reconsideration of the laches issue, the Native Americans (at this point defendants), say look, the TTAB has already ruled on this. There is no laches here because of the broader public policy, and it does not make sense to revisit the ruling. The District Court of the District of Columbia completely disagrees. The district court footnotes the Supreme Court's decision in *Dickinson v. Zurko*, in which the Supreme Court held that the Administrative Procedure Act ("APA") is to be applied to review to the fact finding of the USPTO. So, the court recognized that there is some deference that needs to be given to USPTO fact finding, and it determined that when it came to statements of law, it should use a de novo review.

The determination of whether or not laches is available as an argument is based on Section 19 of the Lanham Act, which says the "equitable principles of laches, estoppel, and acquiescence, where applicable may be considered and applied."⁵⁶ The district court thought that evaluating if an equitable principle should apply is a determination of law, and so the court reviews the TTAB determination de novo.⁵⁷ The district court cited to *Material Supply*, a D.C. Circuit case from 1998, which is a summary judgment case, where it reviews the legal question de novo.⁵⁸

Essentially, on this point, the court has completely ignored the APA when it comes to deference given to legal determinations of an agency that has some expertise. Now, because this particular provision has no common-law antecedent, and perhaps because the Federal Circuit does not have exclusive jurisdiction on appeal, the argument that the agency does not have more expertise is not necessarily available. There certainly is not an argument that the district court or that the Specialty Court of Appeals has more expertise with this registration prohibition. And it seems when it comes to the trademark side and the APA, once again, the courts decided to use a patent decision to say that there is

56. 15 U.S.C. § 1069 (2009).

57. *Pro-Football*, 284 F. Supp. 2d at 96.

58. *Id.* at 115 (citing *Material Supply Int'l, Inc. v. Sunmatch Indus. Co.*, 146 F.3d 983, 989–90 (D.C. Cir. 1998)).

deference to fact finding, but there will be no deference to legal determinations or to adjudications of what the substantive law should or should not be under the Lanham Act.

In the end, one might say this is a lot posturing for little return. The final decision in *Pro-Football*, as I said, came down in 2009.⁵⁹ The D.C. Circuit did not determine the substantive merits but rather decided wholly on the issue of laches.

So, the current plaintiffs were too old; the youngest one had waited, I think, nine years between when he achieved the age of majority and when he filed. Easy solution: get a new set of plaintiffs who are younger. Done, no laches. Guess what, that is exactly what is happening. There is Amanda BlackHorse. She filed in 2006 another cancellation proceeding. So now we are seventeen years later and are starting at square one, all over again, having a new cancellation action start. Laches, in this context, does not make sense. And the agency realized that. It is the court, the District Court of D.C., as well as the Court of Appeals in 2009, that ignored the deference due to the agency and put us back in the same place we were in 1992.

So, we are back to square one and one reason for laches is to prevent having witnesses die and having difficulty gathering evidence. Nineteen years later, it is only going to be worse. So, it seems like a very strange and odd situation that has a lot to do with, perhaps, failure to show the appropriate deference to the administrative agency.

KALI MURRAY:

So, now that we have described the landscape of intellectual property administrative state, I wanted to talk to our panelists about the normative consequences of this incorporation of administrative law into intellectual property policy. Sapna will speak first to this issue.

SAPNA KUMAR:

As I was describing earlier, there are problems with the relationship between the ITC and the Federal Circuit. If the Federal Circuit applied the APA correctly and gave the ITC the deference that it is entitled to, this could lead to inconsistencies within patent law. Moreover, the ITC's mission of protecting domestic industry would still be at odds with the goals of the patent system.⁶⁰

There are several possible solutions. Starting with the most practical

59. *Pro-Football, Inc. v. Harjo*, 565 F.3d 880 (D.C. Cir. 2009).

60. *See Kumar, supra* note 14, at 553.

solution, Congress could amend Section 337 of the Tariff Act so that the ITC is bound by the Patent Act. The ITC, in that case, would not be entitled to *Chevron* deference because it would not be interpreting its organic statute. I think that this is the easiest solution because it has been a number of years since the Tariff Act was substantially revised and because this change could be implemented as part of comprehensive trade legislation reform.

A more drastic approach would be to abolish Section 337 of the Tariff Act. The overwhelming majority of Section 337 actions are patent-related. Although Section 337 was once used to remedy unfair competition unrelated to intellectual property, it is now, almost exclusively, a patent enforcement statute. The agency's mission of protecting U.S. companies from the harsh effects of unfair competition has been compromised by its efforts to provide a fast and convenient forum for patent holders to litigate. If Congress eliminated Section 337, it could amend the Patent Act to allow federal district courts to grant exclusion orders and to exercise in rem jurisdiction over infringing goods.

Finally, it is worth mentioning that the problems that I have discussed arise from the fact that there is an expert court reviewing an expert agency. A patent holder litigates a patent in the ITC, which has a high level of expertise in patent law. The case is then appealed to the Federal Circuit, which is also an expert in patent law and can undo most of the ITC's work. So the question is, why not reform patent litigation altogether and put the experts at the trial level? Patent cases filed in a district court could be tried by a specialized patent judge who works under a district court judge. Decisions could then be appealed to general courts of appeals, which would defer to the expertise of the patent trial court judges.

JASON MAZZONE:

As I described, there is some increased role for agencies in the field of copyright law but not very much. This strikes me as surprising because it seems to me that copyright law is a classic case where agency regulation could be helpful. Copyright law affects vast numbers of people. Increasingly, there are complex questions about the reach of copyright law, and new questions arise that Congress has not dealt with and that do not make it to court. There are also public interests at stake along with private interests. In light of these factors, I am very much a fan of giving agencies a greater role in the field of copyright law. The modern state is an administrative state. So, why not also when it comes

to copyright law?

Let us take, as an example, fair use.⁶¹ Fair use affects large numbers of people, but nobody knows what fair use law protects because it is the province of Congress and the courts. Congress did not want to freeze the law, so it gave us a vaguely worded statutory provision. The courts decide cases confined to specific facts and so they have not given us general principles. Risk averse people or their risk averse employers, publishers, or insurers license things rather than rely upon fair use. Copyright owners leverage the vagueness of the law to insist that every use be cleared in advance.

Leaving fair use to the licensing market is not desirable because we are not meant to be paying for fair use. Fair use is meant to protect criticism, parodies, and other uses that copyright owners are not inclined to authorize. We often think that people bargain in the shadow of the law, but here the law does not cast a very definable shadow. The statute is too vague and the court decisions are few and far between. The disputes that make it to court are likely not representative of the universe of fair use disputes.

I would give fair use to an administrative agency to define and regulate. An agency is in a better position than Congress or the courts to address the range of contexts in which fair use questions arise, to adapt as new issues emerge, and to give greater precision as to what fair use permits and what it does not permit. Now there are some challenges in doing this and I will hold off on mentioning them at this point.

Let me just end by saying that Israel enacted a new copyright law in 2007, which took effect in May of 2008.⁶² That law adopts the U.S. four factor fair use provision.⁶³ But Israel also gave the Ministry of Justice authority to issue regulations governing fair use.⁶⁴ Now it is too soon to tell just what the ministry is going to be able to do, but the debates that led to giving the ministry this power reflected the concern that while the four factor test was a good starting point, somebody had to be in charge of fair use on a regular basis and reflected the view that an administrative agency is the best entity to do this.

61. 17 U.S.C. § 107 (2009).

62. Copyright Act, 2199 L.S.I. 34 (2007) (Isr.), translation *available at* http://www.wipo.int/clea/en/text_pdf.jsp?lang=EN&id=5016.

63. *Id.* at 6 of translation.

64. *Id.*

HANNIBAL TRAVIS:

I am a bit more hesitant to endorse a heavy role for administrative agencies in copyright. I can see some merit in the idea, procedurally in terms of speed, sophistication, and fact-finding as I previously said.

However, I think that there is a risk of excessive technological mandates being issues, as represented by the *Broadcast Flag* litigation. The position of the Electronic Frontier Foundation (“EFF”) is interesting on this point. Originally the EFF said that the *Broadcast Flag* mandate was over-regulation of the Internet in an era of supposed deregulation. Then, when the *Comcast* order came along the EFF said well, it is necessary to have regulation of Comcast because there is inadequate disclosure to the customer and a non-transparent market at work. Moreover, if you look at what other agencies have done, there is a risk of excessive technological mandates and even censorship, as with the USA Patriot Act, Communications Assistance to Law Enforcement Act, various mandates across federal agencies, and there is particularly a risk of this kind of thing in the FCC if the motion picture or recording industry associations start pressing for strong action to restrain Internet piracy, as was the motivation of the *Broadcast Flag* order.

Where there is a role for agencies, I think, is in restraining monopolies and frauds, which is how, in some sense, the FCC justified the *Comcast* proceeding. Not only the FCC but the Federal Trade Commission, the Department of Justice, and the Securities and Exchange Commission have a role to play, in the Internet and the non-Internet context, in restraining excessive market power, the squashing of small competitors, copyright misuse or use of other intellectual property to restrain competition, and the misleading of customers or the public in various regards, as for example with Comcast’s initial acceptable use policy.

With regard to fair use, there is some merit to the idea that Mike Carroll and I think a few other people have suggested, of having a series of safe harbors, preapproval proceedings, or no-action letters, where let us say somebody in a position of XM Satellite Radio could go to an agency and say, here is my business model, will it be destroyed in two years due to copyright litigation, and enjoy some kind of safe harbor or reassurance that what it is planning is worth investing in on a large scale.⁶⁵ However, even then there will be some fact-finding problems. I was trying to compare in my mind the *Comcast* proceeding to, say, the

65. Michael Carroll, *Fixing Fair Use*, 85 N.C. L. REV. 1087 (2007).

YouTube litigation, and thought that in the YouTube litigation you have extensive document discovery, not only from the parties but from non-parties. You have widespread depositions and extensive briefing. I do not know if the FCC has the capability of doing all that; the dissenters in the *Comcast* case⁶⁶ said that they did not, and that the FCC had not engaged in real evidentiary factfinding, instead relying upon unsigned statements, press articles, public comments and so forth.

My concern is that the more you shift intellectual property and especially copyright into administrative agencies, the more you confront the danger that your evidentiary richness in adjudication may be lost to some extent. With those caveats, I say there may be a role for administrative agencies in intellectual property and Internet regulation more generally, but we have to be very careful.

JASMINE ABDEL-KHALIK:

So once again, I get to speculate at this point because, on the trademark side, there really have not been discussions about whether it would be better to have more APA or less APA, whether or not the TTAB really is an expert organization of any sort.

My gut check reaction is that, for the most part, the TTAB is no more expert in the majority of trademark evaluations than any other district level court. Because, while it may see more marks, certainly if you look at, for example, the scandalous and disparaging trademark determinations, there is a level of inconsistency that is startling and perhaps a little disconcerting. It leads to a lack of predictability.

Just off the top of my head, for example, a frog giving you the finger is perfectly okay. That is because he may not actually be giving you the finger even though that is what all the advertising says he is doing. That is not scandalous in any way. But using the term “bullshit” (pardon the language) for leather goods, that is totally scandalous. And you know “JACK OFF JILL,” not scandalous for a musical group, but “1-800-JACK-OFF” for adult entertainment services, totally scandalous. There is, perhaps, a level of inconsistency in comparing the marks’ actual context, but there is perhaps a level of inconsistency in some of the TTAB and subsequent appellate decisions on scandalous and immoral (and we do not even know what immoral means) and disparaging trademarks.

So that kind of counsels against having the agency have sole

66. See 23 F.C.C.R. 13028, at 13902, 2008 WL 3862114, at *47 (statement of Commissioner Robert M. McDowell, dissenting).

deference, if you will, in terms of interpreting what the law should be, what the standard should be. For trademark in particular, the USPTO cycles through examiners fairly quickly on the trademark side. There is no single appellate court like the Federal Circuit to which all trademark disputes go, so we do not have an upper level expertise court, as it currently stands, investing significant kinds of control, if you will, on the trademark side. But that can easily be solved by some fixes or thinking about what the trademark side really should be doing—giving maybe a little more funding, having people stay for longer than six months or however long it is.

But having some consistency in standards at the agency level by putting in a few more resources, maybe we would get that expertise that would allow us to have more consistency and more predictability for those particular areas where the USPTO is singular.

KALI MURRAY:

We would like to end the panel with questions from the audience.

QUESTIONER:

Does the Federal Circuit strike you as an administrative agency for patent law?

SAPNA KUMAR:

Yes, I think that the Federal Circuit does act like an administrative agency, particularly when it decides cases on unnecessarily broad grounds. I think that the reason why the Federal Circuit does not play well with other agencies is because it has turned into an expert patent court, despite the fact that this was not Congress's intent.

Unlike general courts of appeal, the Federal Circuit has the benefit of specialized knowledge. When an agency decides a patent-related case that is later appealed to the Federal Circuit, the court sometimes uses its expertise as an excuse for giving little deference to the agency. It is not a simple matter of the court misapplying the APA. Rather, it appears that the Federal Circuit selectively applies the APA, based on whether a patent issue is at stake.

KALI MURRAY:

The Federal Circuit has a bit of a schizophrenic attitude toward the different administrative arenas under its purview. I think this is particularly true when they are considering patent so you have very

differing review of the International Trade Commission and Board of Patent Appeals and interferences. I do not know how to improve on that. I do think it comes from the Federal Circuit's expert agency status because within its area of expertise, it does tend not to adhere consistently to administrative choices.

SAPNA KUMAR:

The greatest irony is that if you look at the legislative history for the creation of the Federal Circuit—Congress did not intend to create a specialized court. Congress gave the court jurisdiction over appeals from non-patent agencies so it would remain a general court of appeals.⁶⁷ Yet, nevertheless, the expertise of the Federal Circuit judges has shifted towards patents, leading to the problems that we have discussed.

KALI MURRAY:

What is really interesting is the people on the court actually have a good range of administrative law background, but it is not coming out in the patent jurisprudence. Indeed, what is frustrating about it is here you actually have people who do have very strong administrative backgrounds and it is not showing up in the decision making as opposed to say, the D.C. Circuit.

QUESTIONER:

On the fair use issue, I like the idea of having administrative rulings. My primary concern is that I worry about industry capture. I have heard, anecdotally, the U.S. Copyright Office has people, folks that used to work in the industry and have a particular take on the way the policy should be formed. So, I am wondering, if you would speak to the notion that judges may be more objective than the staffers who could be making substantial decisions in this area and staffers and the folks who are essentially going to be making really eighty-five to ninety percent of the policy.

67. See H.R. REP. NO. 97-312, at 19 (1981).

The proposed new court is not a 'specialized court.' Its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather it has a varied docket spanning a broad range of legal issues and types of cases. It will handle all patent appeals and some agency appeals, as well as all other matters that are now considered by the [Court of Customs and Patent Appeals] or the Court of Claims.

Id.

JASON MAZZONE:

That is a good point. The problem of industry capture runs across administrative law. When I think about increasing the role of agencies in the field of copyright law, I do not necessarily gravitate toward the Copyright Office, which has by and large become the Copyright Owners Office. This is in large part because of the way the Copyright Office is funded. The Copyright Office depends upon content providers to lobby Congress for its funding. More generally, I think that there is always a risk of capture with respect to any particular agency. So, one needs to think about how to structure the agency, how to staff the agency, and what kinds of procedures the agency is going to follow that will, while not eliminate those sorts of problems, guard against them to some extent.

I do think funding is a big issue. If there are ways to give an agency that is more heavily involved in administering copyright law independent sources of funding that are not tied to Congress then that might be a way to do it.

On the other hand, if you leave copyright to Congress to regulate, it is the same sort of story because there are always problems of interest group capture of legislatures. So this is a problem that exists not just with respect to administrative agencies but one that pervades the system as a whole. Courts are less open to capture compared to the other branches of government.

HANNIBAL TRAVIS:

Well, I was trying to think while you were speaking, what differentiates an agency from an Article III court in terms of the risk of being captured. One factor I can identify is that agency officials are more likely to originate directly from industry than from some type of prosecutorial position, professorship, or legislative role. There is a revolving door back to industry. Thus, there is an idea that if you benefit industry during your time in office, you will then be welcomed back by industry, and there is special access and treatment for industry perhaps being influenced by factors one and two, so that the agency gives them advance notice and more meetings and so forth.

But then I think about the Article III courts and realize that there is also a problem with special access and treatment in terms of access to counsel, how long are your briefs, how much evidence can you collect for your positions, what are your expert reports like, and especially when I read some Supreme Court decisions on antitrust and

telecommunications, I wonder about capture of Article III courts as well.

QUESTIONER:

I am interested in your comments that you picked fair use as an example something that might be particularly appropriate just for rule making because the Copyright Act is essentially encoding what we might think of as administrative regulations into the statute. There are many other parts of the Copyright Act that read very much like administrative regulations and that nobody can read, but they are calcified into the U.S. Code where they are very hard to change. Given this, why did you focus on fair use?

JASON MAZZONE:

I focus on fair use for a couple of reasons. One is that it is something that affects vast numbers of people on almost a daily basis. Over the weekend, I was putting together my course packets for a new course that I am teaching. I know copyright law to a fair degree and I know fair use law to a fair degree. But I could not for the life of me determine whether I needed to license excerpts from copyrighted works or not. I just ended up licensing everything. It is not as though I am paying—it is the students who pay for course packets. It seems to me that this is a problem that exists across a variety of industries. People are supposed to be able to make use of fair use but nobody really knows what fair use law allows.

My proposal, which I have written up in a symposium piece that is coming out in the *William and Mary Law Review*,⁶⁸ is to give the job of defining fair use to an agency. The agency would, among other things, issue regulations setting out what constitutes fair use with respect to specific industries and specific contexts. It seems to me that is a very good piece of the puzzle to break off because it is something that impacts large numbers of people. It is an area that is notoriously confusing and vague and it is an area where you have both private interests and public interests. Fair use does not exist simply for the benefit of private parties. The risk of leaving things to market regulation is that public interests will not be adequately protected.

I see an agency rather than the courts or Congress, which are really poorly equipped to do this, as the best entity to give some precision to fair use that would both allow people to determine in advance without

68. Jason Mazzone, *Administering Fair Use*, 51 WM. & MARY L. REV. 395 (2009).

having to go through litigation what sorts of uses are in fact permitted and that would take account of the public interests at stake.

QUESTIONER:

In regards to your proposal, I was trying to think of other agencies that regulate procedure that are not sort of common enterprises or large entities?

JASON MAZZONE:

I want an agency to issue fair use regulations but administrative law does not really have a model for that. We do not have agencies that just issue regulations, particularly if you are talking about disputes that are private disputes.

You want the regulations to determine as a legal matter what fair use is. In other words, you want a court to accept what those agency interpretations are. However, courts are not generally willing to defer to agency interpretations unless the agency is also performing some kind of enforcement function and so getting to the end point of agency regulations that define fair use requires me, in the sort of proposal I am offering, to give the agency enforcement power as well.

I have a couple of ideas about how to do that which I will mention quickly. One idea is to turn copyright adjudication into a kind of EEOC proceeding so that any copyright claim would be filed with the agency. The agency would issue a notice to the defendant. The defendant would have a chance to assert a fair use defense and then the agency would assess whether the use is consistent with its regulations governing fair use so that the defense is valid. Then that decision would be binding upon a court. I think a court would defer to that.

The second model would be to have an agency that is concerned with interference with fair use, which is sort of my secret agenda in all of this. This agency would go after various efforts by copyright owners to shut down and curtail uses that are fair. In that context as well the agency would be on more solid ground in terms of issuing regulations specifying what fair use law allows. But, you are quite right, you cannot, at least in the current administrative law context, just tell an agency to decide what fair use means and tell the courts to follow the agency's interpretation. The courts do not tend to like that approach.

QUESTIONER:

Suppose that we were to agree that an administrative solution would

be a very fine one within the context of patent law. Have you thought about what conditions would be necessary to create the administrative agency. I would give you as an example, the Securities and Exchange Commission (“SEC”) for extended periods of time has generally acknowledged that perhaps the best agency within the executive branch.

It seems as though it has a staff, it seems as though it has a commissioner, it seems as though it is quite confident in its agency mission, it seems as though it has not been captured. How would you propose, to create a SEC like reputation and expertise inside patent law?

KALI MURRAY:

First thing, with the caveat that the USPTO is not fully funded, is its examination of patent is actually done fairly well—if not quickly. One of my primary concerns is to the extent that IP becomes more incorporated into the administrative state, its functionality and efficiency may be impacted. I am thinking here of the horror of environmental law. The USPTO would become the Environmental Protection Agency (“EPA”) and then we know that it could not get anything done! My greatest fear in all of this is that I argue for functional politics and I get the EPA.

In terms of the SEC, it should be noted that its classification in administrative law is as an independent agency. This is one of the real reasons why I think the Federal Circuit’s attitude toward the ITC is even more problematic. The ITC, if you think about it, is an independent agency. It does have the same type of powers that the SEC has, and the Federal Circuit is still reluctant to offer it deference. The ITC has a fair amount of power as an independent commission—far more power than the USPTO—and yet, we appear to be running into the same problem with the Federal Circuit. So I could say yes, we can make the USPTO more of an independent executive agency, but then we would run into the same problem that we had with the ITC, that the Federal Circuit will still not listen.

SAPNA KUMAR:

The ITC has the expertise that you are referring to. The ITC has staff, administrative law judges, and commissioners who know patent law; the agency does not appear to have been captured by any outside interest groups. The main problem is with how the agency is reviewed on appeal.

One issue that I see with the ITC is that it does not handle policy

considerations adequately because of its conflicting missions. It was created to protect domestic companies from unfair competition and now it has evolved into an agency that is supposed to promote innovation by enforcing patents. If a patent is infringed by an imported good, the ITC always grants an exclusion order, even if the order could cause harm to the public welfare or impede competition. As Kali pointed out, the bigger problem is with the Federal Circuit.

KALI MURRAY:

Look, we may have to rewrite the Patent Act itself. The current text of the Patent Act does not even acknowledge that other administrative agencies are applying the Patent Act at all. Besides rewriting the text of the Patent Act to acknowledge its potential as a multi-enforcement act, you could also at the same time strengthen the role of the USPTO, by re-writing Section 2 to be more like Section 5 of the Federal Trade Commission Act,⁶⁹ which does have the ability to continually redefine what “unfair competition” means within the context of competition policy.

If we did that, though, I do not think there would be necessarily a positive reaction in the patent community right now. One of the real struggles in this area, is that there is not a lot of confidence right now in the USPTO’s ability to actually function effectively.

Jason, I think maybe you could get that broad agency mission right now in Copyright Law. It does not look good right now; you are getting folks chasing you with pitchforks like we get in Patent Law.

Ultimately, we need vision about what kind of administrative state we want in patent law.

I think part of why you’ve seen so much explosion over scholarship in the last couple years in this area, is because we are trying to figure out what a new administrative state should look like and act like.

I feel like this is one of issues that patent law has fundamentally abdicated since the passage of the Patent Act of 1952.

QUESTIONER:

These issues seem like they are crying out for some kind of comparative analysis, is there some other place in the world that has anything like a model here that is trying to deal with these issues. I mean it just seems like, obviously trying to create something that has

69. See 15 U.S.C. § 45 (2006) (F.R. Act).

not existed in the United States.

JASON MAZZONE:

Well, Israel and Fair Use.

KALI MURRAY:

A comparative analysis is being conducted in patent law. I am doing work now with Esther Van Zimmeren, who is at Leuven University in Belgium, on the same issues within the context of the European Union and the European Patent Office. What is striking is that they are having similar problems in assessing their administrative state.

Patent law for such a long time was such a highly specialized technical field. What is happening all across the world, is that people are starting to wake up and ask the same questions in the European Union and in Japan and in developing nations like South Africa, about whether patent systems are providing the best incentives for innovation, and access to scarce resources, like pharmaceuticals—it is more than people than like us, the patents, copyright, and trademarks geeks of the world. People now care very much about IP in ways that fifty years ago they did not and so the politics of it become much more important in a variety of comparative contexts.

QUESTIONER:

It just strikes me that there might be some common ground there in terms of the way those issues operate in other countries.

HANNIBAL TRAVIS:

Just in terms of open access to the Internet, I know that the competition and telecom agencies in France and Japan have been very active in opening up the “last mile” to competition, and they have seen a more rapid reduction in price and increase in speed as a result of more vigorous competition there. It is often touted as a model in various pieces of comparative scholarship.

In copyright I cannot say that is the case, but in competition in telecom, that to some extent is the case.

KALI MURRAY:

I would like to thank the panelists and the audience for a timely panel.