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COMMENTARY

DIVERT ALL TRADEMARK APPEALS TO THE FEDERAL CIRCUIT? WE THINK NOT

By J. Thomas McCarthy* and Dina Roumiantsveva**

I. INTRODUCTION

With some regularity over the years, a proposal is made to change the Lanham Act so that appeals in all Lanham Act trademark and false advertising cases from district courts across the United States will be diverted from the regional circuit courts of appeal to the Court of Appeals for the Federal Circuit. We think it is time to discuss this proposal head on and hopefully to convince the reader that this diversion is not a good idea and should never be implemented. Advocates of this proposal claim that trademark law would benefit from the consistency that a single appeals court could provide and that the Federal Circuit has exceptional expertise in trademark law. We believe, however, that trademark law does not suffer from the kind of circuit conflict that led to the channeling of all patent appeals to the Federal Circuit in 1982. Moreover, our review of case law suggests that some regional circuits have a comparable or greater experience with trademark law. We argue that no change in the present system of trademark appeals is needed.

II. PROPOSALS TO DIVERT ALL LANHAM ACT APPEALS TO THE FEDERAL CIRCUIT

The idea of channeling all trademark appeals to a single court such as the Federal Circuit is not a recent one.¹ When Congress was considering creating a new court with exclusive patent jurisdiction, a 1980 proposal included trademark appeals along with patent law for that court’s exclusive appellate jurisdiction, but both the Trademark Bar and the Department of Justice

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¹. Paul M. Janicke, To Be or Not to Be: The Long Gestation of the U.S. Court of Appeals for the Federal Circuit, 69 Antitrust L.J. 645, 649 (2002) (As early as 1899, one of the bills to create a specialized court would have included trademark and copyright jurisdiction along with patents. Citing S. 1883, 56th Cong. (1899).)
opposed this. The House passed a bill in 1980 that included trademarks along with patents for exclusive Federal Circuit jurisdiction, but this proposal died, and the bill that was eventually enacted to create the new court omitted any mention of trademarks.

More recently, the issue has been raised again. The past two Chief Judges of the Federal Circuit—Judge Randall Rader and Judge Paul Michel—have endorsed adding Lanham Act trademark and false advertising cases to the exclusive appellate jurisdiction of their court. Some commentators have also endorsed the idea. In early 2015, one of the bills for patent law reform included a provision that would shift appeals from district court reviews of Trademark Trial and Appeal Board decisions away from the regional circuits to the Federal Circuit.

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2. Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 Geo. L.J. 1437, 1493 (2012) (“The trademark bar and the Department of Justice, however, opposed this proposal. Although the House passed an early version of the FCIA that would have given the Federal Circuit jurisdiction over trademark-infringement appeals, this proposal was later removed from the bill.”).


4. S. Lloyd Smith, *An Interview With Chief Judge Randall R. Rader*, 3 No. 4 Landslide 5 (March/April, 2011) (Question: “Do you think there is any role for the Federal Circuit to play as an exclusive appellate court for copyright or Lanham Act cases?” Response by Judge Rader: “Should have been done from the outset, absolutely. There is great wisdom in it. . . . Trademarks are parts of the same commercial dispute that often feature trade secrets and business torts and everything else in a patent suit. It would just be logical to have them all together and probably prevent a lot of jurisdictional difficulties.”).

5. Theodore H. Davis Jr., *Exclusive Federal Circuit Jurisdiction over Trademark Appeals: Some Considerations*, 4 No. 2 Landslide 13 (Nov/Dec 2011) (“In a recent Landslide interview, Chief Judge Rader expressed support for a proposal advanced by his predecessor, former Chief Judge Michel, that the Federal Circuit assume exclusive appellate jurisdiction over all intellectual property matters, including trademark infringement actions that are now appealed to the regional circuit courts of appeals.”); Author J.T. McCarthy was involved in discussions resulting from a proposal Judge Michel made in 2010 to the Board of INTA that thought be given to an expansion of the exclusive appellate jurisdiction of the Federal Circuit to include appeals of all Lanham Act cases.


7. H.R. 9, 114 Cong. § 9 (h)(10) (introduced Feb. 2, 2015). This would divert to the Federal Circuit appeals of those few T.T.A.B. decisions in which the option is made not to appeal to the Federal Circuit, but to have review in a district court and then appeal that decision to the local regional circuit. Unlike in a direct T.T.A.B. appeal to the Federal Circuit on a closed record, in a District Court review new evidence can be admitted, the review is de novo and the scope of the case expanded to include claims and counterclaims for infringement. See, e.g., CAE Inc. v. Clean Air Engineering, Inc., 267 F.2d 660, 60 U.S.P.Q.
III. WHY DID CONGRESS GRANT THE FEDERAL CIRCUIT EXCLUSIVE JURISDICTION OVER PATENT APPEALS?

While several arguments were advanced to create a single court to hear patent appeals from all over the nation, we believe that the main reason for its creation was the huge post–World War II disparity in results on patent validity in cases heard in the regional circuits. The goal was that a new court would speak with a single, nationwide voice on pressing issues of patent law. Paul Janicke noted that in the decades leading up to the 1982 creation of the Federal Circuit, patent-friendly regional circuits upheld contested patents about half the time while patent-hostile circuits found patents valid much less frequently, some circuits finding valid as few as twelve percent or less of contested patents.8

The argument was that channeling all patent appeals to a single court would result in a uniform standard of patent validity.9 An additional benefit was seen by having a court with expertise in what many viewed as the arcane rules of patent validity and infringement, challenged by the new and complex technologies of the late twentieth century. With the exception of areas such as tax and bankruptcy, the American judiciary has opted for a generalist system of courts, unlike the specialist courts widely adopted in Europe and elsewhere.10 Thus, the exclusive patent jurisdiction of

2d 1149 (7th Cir. 2001) (CAE opposed Clean Air Engineering’s application to register “CAE” and the T.T.A.B. dismissed, finding no likelihood of confusion. CAE opted for review by the federal court in Chicago, expanding the case to include infringement claims against Clean Air Engineering, which then counterclaimed. The district court disagreed with the T.T.A.B. and enjoined Clean Air Engineering from use of the CAE mark. The Seventh Circuit affirmed. If the proposal in H.R. 9 were to become law, that appeal would go to the Federal Circuit, not the Seventh Circuit.) See McCarthy, Trademarks & Unfair Competition § 21:20 (2015 suppl.).

8. Janicke, supra, note 1, at 646. (In the 1945–1958 period, the Second Circuit upheld the validity of only 4.8% of patents before it and the Eighth Circuit upheld only 6%.)

9. Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1574, 223 U.S.P.Q. 465, 470 (Fed. Cir. 1984) (“It is, therefore, clear that one of the primary objectives of our enabling legislation is to bring about uniformity in the area of patent law. ‘[T]he central purpose of the FCIA] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law.’ H.R. Rep. 97–312, 97th Cong., 1st Sess. 23. This court was created, as contemplated by the Congress, to achieve uniformity and to reduce uncertainties in this area. This court, thus, has a mandate to achieve uniformity in patent matters.”); Matthew F. Weil & William C. Rooklidge, Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making, 80 J. Pat. & Trademark Off. Soc’y 791, 791 (1998) (“One of Congress’ goals in creating the United States Court of Appeals for the Federal Circuit was to foster uniformity in the application of the law of patents. The importance of such uniformity in achieving the ultimate ends of the patent system is difficult to overstate.”).

the Federal Circuit was an exception to the general rule, and an experiment.\textsuperscript{11}

While often called the “Patent Court,” in fact the twelve judges of the Federal Circuit also handle appeals in several disparate fields of law, such as appeals from the Court of Federal Claims, the International Trade Commission, the Merit Systems Protection Board and the Board of Contract Appeals.\textsuperscript{12}

Has the Federal Circuit met the goal of speaking with a single voice on challenging and difficult issues of patent law? Critics argue that it has not, because disagreements among the court’s judges have replaced disagreement among the circuits on difficult issues.\textsuperscript{13} A recent and famous example of the Federal Circuit’s inability to provide uniform guidance on difficult issues of patent law is the ruling in the 2013 \textit{Alice} case, where the fractured panel of ten judges issued seven different opinions, with no opinion supported by a majority on all issues. The judges could not agree on a standard to determine whether a computer-implemented invention is patent-eligible or is an un-patentable abstract idea.\textsuperscript{14} This left the patent bar with no clear rule on an issue crucial to the software industry. Chief Judge Rader said that the failure of the court to arrive at a clear rule was “the greatest failure of my judicial career.”\textsuperscript{15} The Supreme Court took the case and rendered a

\textsuperscript{11} Weil & Rooklidge, supra note 9, at 805 (“The Federal Circuit, after all, is the only court (other than the Supreme Court) that hears appeals taken from the courtrooms of every Article III district court judge. Its decisions reverberate through the patent system and across the entire nation.”).

\textsuperscript{12} Diane P. Wood, Is It Time to Abolish The Federal Circuit’s Exclusive Jurisdiction In Patent Cases?, 13 Chi.-Kent J. Intell. Prop. 1, 2 (Fall, 2013) (“Whether it has actually been helpful to assign this hodgepodge of cases to one court—the Federal Circuit—is debatable.”).

\textsuperscript{13} See Weil & Rooklidge, supra note 9, at 806 (“So long as the Court continues on ‘hard cases’ to steer a middle course, treating its own precedent with a level of disrespect that might draw criticism if attempted by a litigant, we will continue to fall short of the ends Congress sought to serve . . . .”); Paul M. Janicke, On the Causes of Unpredictability of Federal Circuit Decisions in Patent Cases, 3 Nw. J. Tech. & Intell. Prop. 93, 93 (2005) (“The court has been increasingly criticized for inconsistency in applying the various rules of law it has promulgated. Some attribute this phenomenon to inter-panel philosophical differences. The critics complain that not enough respect is paid to a given precedent, and that various panels of the court have indulged in many devices by which to evade the impact of a prior decision.”).


\textsuperscript{15} Tony Dutra, Rader Regrets CLS Bank Impasse, Bloomberg BNA Legal and Business News (Oct. 29, 2013), online at http://www.bna.com/rader-regrets-clslv17l9879684; Brian Mahoney, Software Patent Ruling A Major Judicial Failure, Rader Says, LAW 360 (Oct. 25, 2013) (“I think honestly, I would consider [CLS v. Alice] personally my greatest failure in my judicial career. . . . I think that we failed to provide the kind of guidance that I think the court of Giles Rich and Howard Markey would have provided.”) Judge Rader’s remarks were made in a speech at an AIPLA conference in October, 2013, before the Supreme Court granted review of the case.).
unanimous decision. In the wake of these events, Judge Diane Wood of the Seventh Circuit argued that it was time to abolish the Federal Circuit’s exclusive jurisdiction in patent appeals. In 2015, the Federal Courts Committee of the Association of the Bar of the City of New York recommended that the Federal Circuit’s exclusive patent jurisdiction be returned to the regional courts of appeal. Supreme Court Chief Justice Roberts said that he was “not sure [the Federal Circuit] is succeeding in bringing about uniformity.” In light of these developments, we think it is questionable if the Federal Circuit has been successful in speaking with a single, coherent voice on the kinds of patent issues it was created to resolve.

IV. ARE TRADEMARK DECISIONS AMONG THE REGIONAL CIRCUITS SO DISPARATE AS TO REQUIRE A SINGLE APPPELLATE COURT?

In a 1979 Congressional hearing on an early bill for a Federal Circuit patent court, a representative of the U.S. Trademark Association (now the International Trademark Association) testified against the inclusion of trademark matters. The U.S. Trademark Association argued that, unlike as in patent law, there was no unusual divergence in the way the Lanham Act was being interpreted by the various circuits. We believe that this is just as true today as it was then. The kind of extreme divergence on basic questions of patent law that led Congress to create the Federal

17. Diane P. Wood, supra note 12, at 9 (Fall, 2013) (“Under the alternative regime I envision, parties would have a choice: they could take their appeals to the Federal Circuit, thereby benefiting from that court’s long experience in the field, or they could file in the regional circuit in which their claim was first filed.”). See Rochelle C. Dreyfuss, Abolishing Exclusive Jurisdiction in The Federal Circuit: A Response to Judge Wood, 13 Chi.-Kent J. Intell. Prop. Prop. 327 (Spring, 2014).
19. Highmark Inc. v. Allcare Health Mgmt. Sys., Inc., No. 12-1163 (U.S.), Transcript of oral argument of Feb. 26, 2014 at 25:23-26:11 (Chief Justice Roberts: “Well, I’m just saying, the point—you’re quite correct, the Federal Circuit was established to bring about uniformity in patent law, but they seem to have a great deal of disagreement among themselves and are going back and forth in particular cases, in this area specifically, about what the appropriate approach is.”).
20. Janicke, supra, note 1, at 658 (“A representative of the U.S. Trademark Association testified there was no particular divergence in the manner the Lanham Act was being interpreted by the various circuits; she opposed the bill to the extent it dealt with trademark appeals.”).
Circuit in 1982 simply does not exist in trademark law. Circuit splits on Lanham Act issues have occurred in the past and will continue to do so in the future, but they are differences at the margins, not deviations on fundamental questions. The Supreme Court has adequately resolved circuit splits in this field and will undoubtedly continue to do so in the future.

Central to trademark infringement analyses across the circuits is the multi-factor test for likelihood of confusion. While each regional circuit has its own version of a multi-factor test of likelihood of confusion, the lists differ only in detail, not in essentials. The Supreme Court recently observed that these various multi-factor tests are not fundamentally different. The High Court rejected the argument that there could be no issue preclusion binding on a court from a T.T.A.B. decision on the question of likelihood of confusion because the T.T.A.B. uses the DuPont factors while the Eighth Circuit uses its somewhat different list called the SquirtCo factors. Justice Alito observed that: “Neither does it matter that the TTAB and the Eighth Circuit use different factors to assess likelihood of confusion. For one thing, the factors are not fundamentally different, and ‘[m]inor variations in the application of what is in essence the same legal standard do not defeat preclusion.”

We think the present system of Lanham Act appeals to regional circuits is preferable because it is a federal form of the proverbial “laboratory of the states” metaphor envisioned by Justice Brandeis. Some criticism of the Federal Circuit’s exclusive control of patent law is based on the lack of competition among circuits to search for the best response to novel questions of patent law.

21. Theodore H. Davis Jr., supra note 5 (“Litigation in the trademark context ... has not produced a situation similar to that in pre-1982 patent case law, in which the significant differences between the regional circuits led to rampant forum shopping and counseled in favor of steps to bring about some degree of uniformity in the area.”).


25. Rochelle C. Dreyfuss, supra note 17, 328 (Spring, 2014) (“Like Judge Wood, I traced this dissatisfaction to the long-term effects of abolishing opportunities for percolation to the lack of robust exchange among appellate courts on novel questions of patent law and to the
Trademark validity and infringement (unlike patent validity and infringement) are largely based on customer perception. The Supreme Court recently recognized the central role of an ordinary consumer’s understanding of the impression conveyed by a trademark, holding that tacking on a prior trademark use to achieve priority is a factual question for the jury. Local appeal courts can better reflect and understand local attitudes and perceptions than can a single court far away in the nation’s capital. The argument for regional understanding of and deference to local attitudes is even stronger in the case of unregistered marks and false advertising claims arising under Section 43(a) of the Lanham Act.

V. DO THE JUDGES OF THE FEDERAL CIRCUIT POSSESS AN EXPERTISE IN TRADEMARK LAW SUPERIOR TO THAT OF JUDGES ON THE REGIONAL APPELLATE COURTS?

In support of his position that the Federal Circuit should handle all trademark and copyright appeals, former Chief Judge Rader believed that the judges of the Federal Circuit have an expertise in the entire intellectual property area that exceeds that of any other court. Of course, there is no objective way to test the more modest argument that the judges of the Federal Circuit are more proficient in trademark and false advertising law than the judges of the regional circuits. The Federal Circuit’s trademark opinions do not clearly distinguish themselves with an expertise and skill that clearly outshines that of any of the regional circuits.

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system’s inability to exploit circuit boundaries to experiment with solutions to the problems posed by disruptive innovations and novel business models.”).


27. For example, the Fifth Circuit decided a trademark battle between storage businesses in Texas over the use of a star design. Holding that the star design was not proven to be an inherently distinctive and valid mark, the court noted that in the “Lone Star” state, a star design was widely used by many businesses in Texas. Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 245, 95 U.S.P.Q.2d 1333, 1346 (5th Cir. 2010).

28. S. Lloyd Smith, An Interview With Chief Judge Randall R. Rader, 3 No. 4 Landslide 5 (March/April, 2011) (“We have expertise in this intellectual property area that I think outdistances any other court, maybe anywhere in the world. We’d handle this area with proficiency.”).

29. A key 1989 statutory change of the Lanham Act deleted the confusing term “common descriptive name” to mean a generic name of a product or service. What is one to make of the fact that notwithstanding that statutory change, a quarter century later the Federal Circuit still persisted in defining a generic name as “the common descriptive name of a class of goods or services,” citing pre-statutory change precedent? Princeton Vanguard, LLC v. Frito-Lay N. Am., Inc., 786 F.3d 960, 965, 114 U.S.P.Q.2d 1827, 1830 (Fed. Cir. 2015), quoting from the pre-statutory change decision in H. Marvin Ginn Corp. v. Int’l Ass’n
The Federal Circuit sees trademark issues in only two types of cases: (1) ex parte or inter partes appeals on registration questions from the Trademark Trial and Appeal Board; and (2) trademark appellate issues that accompany patent questions in district courts around the nation. When a complaint is based in part on patent issues and also involves non-patent issues (such as trademark infringement), the Federal Circuit has exclusive appellate jurisdiction over all issues in the case. When reviewing non-patent issues, the Federal Circuit will apply the relevant precedent of the circuit where the district court is located. Thus, in issues concerning trademark infringement or false advertising under the Lanham Act, the Federal Circuit has no precedent of its own—it holds up a mirror to reflect the precedent of the relevant regional circuit.

Is it true that the Federal Court’s trademark law experience is superior because it handles more Lanham Act cases than do any of the regional circuits? If expertise is to be measured by the quantity of cases, then the Federal Circuit does not have superior expertise in this area of law. The data shows that some regional circuits have comparable, if not greater, exposure to Lanham Act cases.

Our analysis shows that during the five-year period 2010–2015, the Ninth Circuit led the nation, with 48 cases addressing Lanham Act issues, while the Federal Circuit decided only 28 cases. During the same time frame, three other circuits each decided a number of Lanham Act cases comparable to the number decided by the Federal Circuit: the Second and Eleventh Circuits each decided 25 cases and the Sixth Circuit had 24 cases.

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30. Bandag v. Al Bolser’s Tire Stores, Inc., 750 F.2d 903, 908, 223 U.S.P.Q. 2d 982 (Fed. Cir. 1984) (When trademark issues are appealed along with patent issues, “both appeals are within the exclusive jurisdiction of this court. . .”).

31. Speedco Inc. v. Estes, 853 F.2d 909, 914, 7 U.S.P.Q.2d 1637, 1641 (Fed. Cir. 1988) (“In light of the general policy of minimizing confusion and conflicts in the federal judicial system, this court follows the guidance of the regional circuits in all but the substantive law fields assigned exclusively to us by Congress.”); Baden Sports, Inc. v. Molten USA, Inc., 556 F.3d 1300, 1304, 89 U.S.P.Q.2d 1878, 1881 (Fed. Cir. 2009) (“We apply the law of the regional circuit on nonpatent issues.”). E.g., OddzOn Prods., Inc. v. Just Toys, Inc., 122 F.3d 1396, 1407-08, 43 U.S.P.Q.2d 1641, 1649 (Fed. Cir. 1997) (Because the district court was in California, the Federal Circuit applied Ninth Circuit trademark validity and infringement rules to a Lanham Act trade dress claim that accompanied patent claims.).

32. See McCarthy, Trademarks & Unfair Competition § 21:11 (4th ed. 2015) (“[B]ecause trade dress issues are not unique to the exclusive jurisdiction of the Federal Circuit, in appeals from district courts, the Federal Circuit will defer to the trade dress law of the regional circuit in which the district court sits.”).
VI. CONCLUSION:
ALL LANHAM ACT APPEALS SHOULD NOT BE WITHIN THE EXCLUSIVE JURISDICTION OF THE FEDERAL CIRCUIT

Trademark and false advertising law under the federal Lanham Act does not suffer from the kind of circuit conflicts of law on fundamental issues that led to the creation of exclusive patent jurisdiction in the Federal Circuit. Trademark and false advertising law largely turns on issues of customer perception more suitable for handling by regional circuits familiar with local viewpoints. The Federal Circuit cannot claim to handle more Lanham Act cases than do several regional circuits nor can it claim any superior or extraordinary expertise in trademark and false advertising law. We conclude that the present system of appeals is working just as well as many other areas of federal jurisprudence. The present system is not broken and there is nothing to “fix.”