

## USPTO Tribunals Offer Lessons For New Copyright Board

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The Copyright Alternative in Small-Claims Enforcement, or CASE, Act was enacted on Dec. 27, 2020, as part of the Consolidated Appropriations Act of 2021.[1]

The CASE Act creates an administrative tribunal within the U.S. Copyright Office — the Copyright Claims Board, or CCB — to provide an alternative forum to adjudicate civil copyright claims and counterclaims capped at \$30,000 in actual or statutory damages; to seek declaratory judgment of noninfringement; and to pursue certain claims related to notices and counternotices under the Digital Millennium Copyright Act.[2]

The board must be operational by Dec. 27, 2021, unless a 180-day delay is sought by the Copyright Office.[3]

The scope of the CCB's authority may change in the next few years: The Copyright Office's implementation of regulations could narrow the scope of permitted board action, and Congress may further modify or even expand the board's authority after the Copyright Office undertakes a CASE Act-mandated study of the first few years' worth of CCB proceedings and issues recommendations.[4]

With this context in mind, this article does not address statutory provisions that the Copyright Office cannot alter, such as the lack of judicial appeal of the merits of CCB decisions[5] or the appointment process for board officers.[6]

Rather, this article focuses on key issues that the Copyright Office could address in the implementing regulations for the CASE Act so as to promote the efficient and cost-effective operation of the CCB. Specifically, examination of Patent Trial and Appeal Board and Trademark Trial and Appeal Board approaches to the speed, finality and weight of claims suggests areas for potential refinement of CCB operations.

PTAB and TTAB procedures have incentivized claimants to regularly elect to bring administrative proceedings through the PTAB and TTAB rather than or in addition to federal court proceedings. By all measures, post-grant review proceedings conducted by the PTAB have become the primary venue for challenging an issued patent's validity. Since the Leahy-Smith America Invents Act went into effect in 2012, more than 12,500 post-grant review petitions have been filed to date.



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The TTAB is also well-utilized, with more than 9,000 inter partes proceedings instituted in fiscal year 2020 alone. That said, given the narrow preclusive effect of CCB decisions, refinements such as time limits for rendering decisions and streamlined examination of applications for registration associated with pending CCB matters would help to make CCB proceedings both efficient and appealing to potential claimants.

### **Speed of Resolution**

#### ***PTAB: Fast***

Congress designed post-grant proceedings to be an attractive alternative to district court litigation by mandating that the PTAB issue a final written decision on the patentability of the challenged patent claims within 12 months "after the date on which the Director notices the institution of a review," which is much faster than the 2.4-year average time for resolution of patentability challenges in federal district court.[7]

The speed of PTAB proceedings is especially important when targeting patents concurrently litigated in federal court proceedings, as the majority of PTAB proceedings do.[8] If the PTAB reaches a final written decision first that cancels every asserted patent claim, then the district court must dismiss the infringement action once any subsequent appeal terminates, saving considerable time and expense.

While it is discretionary, many federal courts favor staying litigation once the PTAB institutes trial on one or more asserted patent claims because of the possibility that the parallel district court case will be narrowed or mooted.

#### ***TTAB: Slow***

Unlike the PTAB, the TTAB is not statutorily required to issue decisions by a date certain. Accordingly, TTAB proceedings are significantly less efficient than proceedings before the PTAB; the average pendency of inter partes proceedings resolved in fiscal year 2020 was 146.6 weeks, or approximately 2.8 years.[9]

Moreover, parallel proceedings before the TTAB and district courts are rare. The TTAB has discretion to suspend cancellation or opposition proceedings if "a party or parties to a pending case are engaged in a civil action or another board proceeding which may have a bearing on the case." [10] It is the stated policy of the board to suspend in favor of civil litigation.[11]

This can lead to gamesmanship; a party disappointed with the course of a TTAB proceeding may bring a civil suit to stay proceeding before the board. That said, district court cases filed at an advanced stage of a board proceeding may be stayed to avoid needless duplication of efforts.[12]

#### ***CCB: Unknown***

The CASE Act does not mandate a deadline by which the board, or an officer with regard to a matter involving damages of \$5,000 or less,[13] must issue a final determination once a CCB proceeding becomes active, i.e., the opt-out period is over.[14] Instead, the board is simply directed to issue a schedule for the future conduct of the proceeding once the proceeding has become an active proceeding.[15]

Additionally, the CASE Act permits a dispute before the CCB to be held in abeyance for a year or more pending the issuance of a copyright registration, but permits the board to dismiss such cases without prejudice after a year.[16]

The Copyright Office, however, has broad authority to craft regulations to stand up the CCB, including authority to specify further limitations and requirements for rendering determinations[17] and regulations regarding the conduct of proceedings.[18]

The optimal time limit for rendering a CCB decision may not be 12 months, but in upcoming rulemaking, it would be useful for the Copyright Office to consider implementing a time limit, subject to the board's discretion to amend the schedule in the interests of justice.[19]

Aside from the cost and clarity benefits to the parties, implementing a time limit at the launch of the CCB could have a number of other important benefits, including:

- Quickly identifying procedural issues and types of permissible claims and defenses that may need further refinement;
- Ensuring that the Copyright Office has more data on the complete life cycle of a CCB proceeding to evaluate in its study and recommendations to Congress to improve the operations of the CCB;[20] and
- Providing an objective factor for the board to consider when using its authority under Section 1506(f)(3) to dismiss without prejudice claims or counterclaims that it concludes "could exceed ... the number of proceedings the Copyright Claims Board could reasonably administer."

Ensuring the speed of the CCB proceedings may be of additional importance because, unlike PTAB and TTAB proceedings, CCB proceedings cannot run in parallel with district court proceedings.

Instead, the statute specifies that (1) CCB proceedings may not be instituted as to a claim or counterclaim that is already pending in district court absent a stay and (2) district courts are directed to stay any claim or counterclaim that "is already the subject of a pending or active proceeding before the [CCB]."[21]

Moreover, instituting a CCB action tolls the statute of limitations to bring an action on the same claim in a district court,[22] if, for example, the board determines that a claim seeks relief beyond the CASE Act's damages cap.[23]

Thus, to avoid prolonging disputes that may ultimately need to be adjudicated in federal court, the CCB should be set up to process claims quickly. Given the completely remote proceedings, lack of formal motion practice, and extremely limited discovery without application of the Federal Rules of Evidence[24] — efficiency should be an attainable goal.

In addition, the Copyright Office should consider using its rulemaking powers to require that initial determinations on applications for registration relating to pending CCB proceedings be completed within six months. Implementing a six-month time limit would allow diligent applicants to file and receive a response to a first request for reconsideration within the 12-month period during which CCB

proceedings will be held in abeyance while an application for registration is pending.[25]

## **Finality**

### ***PTAB: Broad Finality***

PTAB proceedings can substantially narrow the scope of district court proceedings relating to the same patents-in-suit, even if the challenged patents are held to be patentable.

In an inter partes review proceeding, for example, the PTAB's final written decision estops the petitioner from raising in subsequent federal court proceedings any ground that the petitioner raised or reasonably could have raised during that inter partes review.[26]

This typically means that, when the parallel district court proceeding resumes, the petitioner's defense will largely rest on its noninfringement arguments.

### ***TTAB: Moderate Finality***

Decisions by the TTAB have preclusive effect in certain circumstances. Specifically, so long as the ordinary elements of issue preclusion are met, when the usages of a trademark adjudicated by the TTAB are materially the same as those before the district court, issue preclusion applies.[27]

Even absent a preclusive effect, courts look to the TTAB for its analysis on both the issues of likelihood of confusion and dilution as highly instructive and persuasive.[28]

### ***CCB: Narrow Finality***

In contrast to PTAB and TTAB proceedings, CCB proceedings have a surgically narrow effect. Only claims and counterclaims asserted and finally determined by the board have preclusive effect.[29] A CCB determination does not give rise to issue preclusion, even as to ownership of the copyrights that were the subject of that determination.[30]

Written submissions to the CCB "may not be cited or relied upon in, or serve as the basis of, any action or proceeding concerning" copyright rights.[31] Failure to assert a counterclaim does not estop a respondent from asserting that counterclaim in future CCB proceedings or in district court.[32]

And other than with respect to enforcement or appeal of the determination, a CCB determination "may not be cited or relied upon as legal precedent in any other action or proceeding before any court or tribunal" — not even the board itself.[33]

Far from the broad preclusive effect of PTAB proceedings or even the modest preclusive effect of TTAB proceedings, CCB proceedings are designed by statute to be legally isolated occurrences.

That said, the Copyright Office should consider whether there is a way, consistent with the statute and the Administrative Procedure Act, for the board to designate certain final determinations as persuasive authority, even though Congress does not currently allow CCB decisions to serve as legal precedent.

For example, the PTAB's standard operating procedures provide for certain decisions to be designated as informative, as opposed to precedential, in order to promote consistency with respect to:

(1) providing Board norms on recurring issues; (2) providing guidance on issues of first impression to the Board; (3) providing guidance on Board rules and practices; and (4) providing guidance on issues that may develop through analysis of recurring issues in many cases (e.g., factors to consider on institution decisions).[34]

Potential claimants and the CCB alike would benefit from similar identification of exemplar, well-reasoned determinations that would make CCB proceedings more predictable.

## Conclusion

The CCB will be more useful to the copyright community if it is efficient and cost-effective. The PTAB and TTAB are not perfect examples by any means — but are data-rich examples that should be thoroughly considered by the Copyright Office as it creates the regulatory structure for the CCB.

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[1] Division Q, Title II, Subtitle A, § 212 "Copyright Small Claims", Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (Dec. 27, 2020).

[2] The CASE Act adds Chapter 15 to Title 17 of the United States Code. Section references within this article are to Title 17 save where otherwise stated.

[3] Consolidated Appropriations Act, 2021 § 212(d) "not later than 1 year after the date of enactment of this Act, the Copyright Claims Board. . . shall begin operations."

[4] See 17 U.S.C. § 1504(c); Consolidated Appropriations Act, 2021 § 212(e)(2), (3) & (5).

[5] See 17 U.S.C. § 1503(g) (stating that "[a]ctions of the Copyright Claims Officers and Register of Copyrights under this chapter in connection with the rendering of any determination" are not subject to judicial review under the Administrative Procedure Act, which applies to nearly all other actions of the Copyright Office pursuant to 17 U.S.C. § 701(e)); id. § 1508(c) (limiting federal court review to vacating, modifying, or correcting a Board determination, but only in one or more of the following limited circumstances: (i) the determination was issued as a result of fraud, corruption, misrepresentation, or other misconduct; (ii) the Board exceeded its authority or failed to render a final determination concerning the subject matter at issue; and/or (iii) in the case of a determination based on default or a failure to prosecute, it is established that the default or failure was due to excusable neglect). That said, a party may request the Board's reconsideration of, or an amendment to, a determination, provided that the party identifies clear error of law or fact material to the outcome, or a technical mistake. Id. § 1506(w)-(x).

[6] See generally 17 U.S.C. §§ 1502, 1503.

[7] 35 U.S.C. § 316(a) ("requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months"); PWC, 2018 Patent Litigation Study at 14 (May 2018), <https://www.ipwatchdog.com/wp-content/uploads/2018/09/2018-pwc-patent-litigation-study.pdf>.

[8] The PTAB has a six-factor test for determining when it should exercise its discretion to deny institution in view of a parallel district court proceeding. *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5 (PTAB Mar. 20, 2020) (precedential).

[9] <https://www.uspto.gov/trademarks/ttab/ttab-incoming-filings-and-performance>.

[10] 37 C.F.R. § 2.117(a).

[11] See Trademark Trial and Appeal Board Manual of Procedure 2020-06 § 510.02(a), <https://tmep.uspto.gov/RDMS/TBMP/print?version=current&href=sec-b81bfdae-ccff-4280-811a-94f03522cbb2.html>.

[12] See, e.g., *Tigercat Int'l, Inc. v. Caterpillar Inc.*, Civil Action No. 16-cv-1047-GMS, 2018 U.S. Dist. LEXIS 74191, at \*19 (D. Del. May 2, 2018) (staying district court proceeding; "the court finds it unacceptable that Tigercat decided to invoke the power of the court only ten days before the close of three-years of contentious discovery and two months before the start of trial before the TTAB.").

[13] 17 U.S.C. § 1506(z).

[14] *Id.* § 1506(i); see also *id.* § 1506(g)(1)(A)-(B) (Failure to properly file an opt-out notice within 60 days of being served with a notice of a claim will: (i) serve as consent to the Board proceeding; (ii) forfeit the respondent's right to have the dispute decided by an Article III (federal) court; and (iii) waive the right to a jury trial regarding the dispute).

[15] *Id.* § 1506(k).

[16] *Id.* § 1505(b)(2).

[17] *Id.* § 1504(c).

[18] *Id.* § 1506(a).

[19] 17 U.S.C. § 1506(k).

[20] Consolidated Appropriations Act, 2021 § 212(e)(2), (3) & (5).

[21] 17 U.S.C. § 1504(d)(2); *id.* § 1509(a).

[22] *Id.* § 1504(b)(2).

[23] 17 U.S.C. §§ 1504(d); 1506(f)(3) (requiring the Board to dismiss, without prejudice, a claim or counterclaim at any time during a proceeding if it determines that "determination of a relevant issue of law or fact [] could exceed . . . the subject matter competence of the" Board).

[24] § 1506(n) (generally limiting discovery to "production of relevant information and documents, written interrogatories, and written requests for admission"); id. § 1506(m); id. 1506(o) (The Federal Rules of Evidence will not apply, but the Board will still be able to consider testimonial evidence, limited to statements of the parties and non-expert witnesses, and, in exceptional cases, expert witness testimony or other types of testimony may be permitted.).

[25] An applicant would need to file within two months of refusal to ensure decision on a first request for reconsideration within 12 months. See 37 C.F.R. § 202.5(b)(4) (setting a four-month deadline for decision on a first request for reconsideration of refusal to register).

[26] 35 U.S.C. § 315(e).

[27] *B&B Hardware, Inc. v. Hargis Indus.*, 575 U.S. 138, 160 (2015).

[28] See, e.g., *Lodestar Anstalt v. Bacardi & Co.*, No. CV 16-06411-GHK (FFMx), 2016 U.S. Dist. LEXIS 167983, at \*8 (C.D. Cal. Nov. 16, 2016) ("At a minimum, TTAB's ruling on the likelihood-of-confusion issue will be highly persuasive authority.").

[29] 17 U.S.C. § 1507(a).

[30] Id. § 1507(a)(1)-(2).

[31] Id. § 1507(c).

[32] Id. § 1507(e).

[33] Id. § 1507(a)(3).

[34] Bd. of Patent Appeals & Interferences, Standard Operating Procedure 2 (Revision 10) (2018), <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>; but see *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1331–32 (Fed. Cir. 2017); see also Trademark Trial and Appeal Board Manual of Procedure 2020-06 § 101.03, <https://tmep.uspto.gov/RDMS/TBMP/current#/current/sec-b1f52f5d-4781-4639-9db8-d08acb252a02.html> (describing persuasive authority of non-precedential TTAB decisions).