Speaker 1:

Our next case is Ray Chastek 2022 1843. Mr. Grossman.

Andrew Grossman:

Morning. May it please the court, Andrew Grossman for the appellant Chastek PLLC. In 2019, the P.T.O. issued a rule requiring all trademark applicants to disclose for the first time ever what it calls their domicile address, that is the physical location of the applicant. For individuals and owners of many small businesses, that address is their home, the place where they sleep at night, as many in the trademark community observed. An agency's power to promulgate rules comes with the responsibility to engage in reasoned rulemaking. The P.T.O. shirked that responsibility here in two respects. First, the P.T.O.'s decision to adopt the domicile address requirement is arbitrary and capricious because it provided no reasoning whatsoever for that decision, while ignoring the obvious...

Speaker 1:

Wasn't that a logical outgrowth of the earlier proposal to indicate that they had counsel?

Andrew Grossman:

Your Honor, this refers to our arbitrary and capricious argument that the agency didn't provide any rationale for the decision that it made in the final rule, and that's separate from our logical outgrowth argument. We don't think it was logical outgrowth of what was in the proposed rule, given that the proposed rule provided no notice whatsoever that the agency intended to collect this information and in fact specifically disclaimed that the agency was imposing any kind of reporting requirement whatsoever, and also stated that it would not impact domestic filers whatsoever. So when the agency specifically says, "We're not doing something," and then it turns around in the final rule and does it, I don't think any court has ever held that to be a logical outgrowth.

Speaker 3:

Can I ask you why? I just want to respond to that and ask you, I mean, under the proposed rule changes, one of the things that was said is that the proposed requirement is similar to the requirement that currently exists in many other countries, identifies those countries, and it's my understanding that those countries do require trademark applicants to indicate their domicile address. Is that correct?

Andrew Grossman:

What that discussion in the proposed rule was referring to was the requirement of domestic counsel representation within those countries.

Speaker 3:

I understand, but as you read the rule, and I just want to discuss with you, my question was is it true, I guess, that those countries require indication of the trademark applicant's address? Let me start with that.

Andrew Grossman:

I don't believe that's reflected in the record, your Honor.

Speaker 3:

But I'm asking you. If you don't know...

Andrew Grossman:

I don't know, but I also think that if that was something that was relevant to the agency's decision making, it would have to be in the record. So I don't mean that it's just a technical...

Speaker 3:

Don't you think that they had to have a way? I guess my thought is I'm looking at that, and I'm looking at the whole rule, and I think to myself, "Don't they have to have a way to implement the rules that are indicated?" In other words, they have to figure out who needs counsel and who doesn't, and there's also a problem of advocates not necessarily indicating [inaudible 00:03:18] non-fraudulent submissions to the patent and trademark office, so they need to have some way to ask for this information, right? They can't just say, "Check a box." I mean, I guess they could have maybe, check a box, "In U.S. Out U.S.," but it seems like by asking for the address, it's just not surprising to me, which sounds like a logical outgrowth. How would you respond to that?

Andrew Grossman:

Well, I think this relates more to the arbitrary and capricious than logical outgrowth, but that said, I think your question kind of highlights the problem here, is that there are multiple ways the agency could have done this. One thing was to ask for the domicile address, as it did. It could have simply said, "Check the box." Many regulatory schemes, including for example, our tax code, rely on self-reporting, and at least as an initial matter, trust the honesty of people to follow what the rules are. That's generally how things work in most administrative procedures. So yes, that was an option for the agency. The agency could have imposed address requirements of different scopes that wouldn't necessarily apply to all applicants. It could have required notarized proof of address if it thought that there was some problem with fraud. In other words, the agency had a lot of...

Speaker 3:

Isn't this a procedural thing, the way we're talking about it? There's a lot of different procedural ways in which they could have implemented the rule that they were proposing, and so why does any rulemaking have to occur at all with this? Why does it have to be in the notice at all since it's procedural?

Andrew Grossman:

Well, I want to be clear that that only goes to the notice argument. It does not go to the arbitrary and capricious argument because even if a rule is procedural, an agency still has to be rational in its rulemaking and explain what it's done, which the agency here didn't do. We don't think the rule here is properly viewed as procedural because the procedural rule exception in Section 553 of the APA has been interpreted by the courts narrowly to refer to internal housekeeping measures of the agency. And so what the agency does with the information that an applicant provides, that's a procedural rule. But if an agency is imposing a new condition that it's never imposed previously on, say, the receipt of a government benefit or participation in a government program, that's necessarily going to be a substantive requirement of law. If the IRS were, for example, to ask you to report all the books you've read over a period of time or something of that sort, the fact that the agency is merely requesting information doesn't make that procedural in some sense. And indeed, the P.T.O...

Speaker 3:

That's new information. That's your argument, is anytime that an agency asks for new information that it never previously asked for, that must be substantive?

Andrew Grossman:

I think there's a possibility of that, but I think the answer is definitely yes when it is a new condition for receipt of a government benefit or participation of the government.

Speaker 4:

So if the prior rule said, "You have to give us your first name and last name," and then they wanted to do a new rule and said, "Well, we also want your middle name, but if you don't give us your middle name, we're not going to register your trademark application," would you say, "Oh, my goodness, that's a substantive rule"?

Andrew Grossman:

Well, I mean, I think that that's not the type of situation that would typically arise for the reason that the applicable regulation...

Speaker 4:

I'm just asking a question and trying to figure out what is the scope of your understanding of where a rule that looks very procedural actually is secretly substantive.

Andrew Grossman:

Well, I mean, I think you could argue that even a rule like that that would seem minor, might well have substantive content because of course, many people don't have middle names. And so I guess if the agency was saying everybody...

Speaker 4:

"If you have a middle name, we want the middle name."

Andrew Grossman:

Right.

Speaker 4:

I mean, that would be a procedural rule. Nobody would say, "Holy cow, you've changed the substantive criteria of whether you're going to get a trademark right granted," or, "Now the agency has changed what the scope of your trademark right can be because we now want your middle name." So that's kind of the same situation where we are here, where they said, "Well, instead of your mailing address, we want your domicile address, and we feel like we need everyone's domicile address, so people don't circumvent this U.S. counsel rule."

Andrew Grossman:

Well, that's interesting, but the final rule actually doesn't say that. The final rule simply imposes that requirement without any explanation whatsoever, and that's kind of the heart of the problem here because the most basic requirement of reasoned rulemaking is for an agency to provide reasons. And if you look at the Encino Motor Cars case, for example, it repeats longstanding case law recognizing that when an agency is changing a rule, in other words, if it's shifting its policy from one thing to another, its practices, it has to acknowledge that and explain why it's making the change. I mean, that is the baseline of what is required for an agency for its action not to be arbitrary and capricious, and in this instance, the agency didn't acknowledge that it was making any change in the preamble and its explanations and then provided no explanation whatsoever for the shift, and it was just...

Speaker 4:

What if, hypothetically, we could read the proposed rulemaking, the comments, and then the final rule and see from all of that context we understand why they did the alteration and the final rule to ask for everybody's domicile address and not just foreign applicants because it was more than reasonably discernible that they felt like they needed this in order to ensure that people did not circumvent the U.S. counsel rule. Just take that as a hypothetical. Then wouldn't we say that's enough in terms of understanding the reasons for the agency's choice to make this particular rule?

Andrew Grossman:

I mean, if you want to assume that what the agency did was reasonable and explained, then sure. I mean, I guess you could conclude that it was reasonable and explained.

Speaker 4:

Well, it could be discernible as to the rationale for why they made the choice that they made at the end.

Andrew Grossman:

I don't...

Speaker 4:

So therefore, we're not necessarily in the situation you're proposing, which is there's just lack of any explanation, and so it's an utter mystery for why they made the final rule the way they did.

Andrew Grossman:

I mean, the reason that agencies are required to set forth their reasons is so that courts can actually review what the actual reasons motivating a change are. And so I think it is a step too far and not something that's fairly reflected in the case law for the court to effectively apply what would be rational basis review in saying, "Well, if we can think of something, and if we squint, and perhaps could read it between the lines, we could infer what the agency might have been thinking and here's maybe why it did this." That's never how this has worked because the burden on an agency here is relatively low, in the sense that it simply has to set forth what it's doing and explain why it is doing it. This isn't the world's most overwhelming standard for burden on an agency when it's undertaking a rulemaking, but the agency here failed to accomplish that.

As I stated, the final rule has no rationale whatsoever for why the agency decided to apply this requirement. It doesn't acknowledge the change in a P.T.O. requirement that has existed for, let's say, 70 years of administration of the Lanham Act. For 70 years, an applicant could submit a mailing address and be assured that they would not be at risk of being stalked, being harassed, having that address published, which the P.T.O.'s regulations required, and then would be injured by the public disclosure of that information. The P.T.O. changed that without any consideration whatsoever of really what would be the most obvious factor for an agency to consider in making that type of decision, which is the impact on applicants and prospective applicants. I think it's pretty obvious how somebody who has been, for example, a victim of domestic violence might be reluctant to provide their personal home address to an agency, particularly when the agency's regulations require that it be published.

Speaker 4:

There was nothing in the comments in response to the notes of proposed rulemaking that obviously required some applicants to come forward with their domicile address that there was some notions of privacy concerns.

Andrew Grossman:

The proposed rule did not provide any requirement that anybody come forward with their domicile address. What the proposed rule said was that applicants could continue to provide just an address, the same sort of mailing address that they'd been providing previously, and then it stated that in some instances, the examiner might engage in some type of investigation and request further information if there was concern of fraud with respect to the application. But no, it didn't require anybody to come forward with any type of home address or anything of that sort.

Speaker 3:

What about the U.S. P.T.O.'s mitigation with respect to the privacy concerns? Does that factor into our analysis at all, in your view?

Andrew Grossman:

Two comments on that, your Honor. First is that they are not relevant for assessing the rationality of the rule. In other words, the agency is limited to what is in the final rule. That's the Chenery doctrine that this court has applied in, gosh, dozens of cases at this point. So if it's not in the final rule, the court can't consider, "Well, they said this stuff later," or, "They took some mitigating measures," or something like that.

Second, I think it does underscore how important this issue is and how it's not just some kind of minor thing that, "Who really cares? It's not worth the candle." The agency when it released this rule faced a massive public backlash and spent the next year scrambling to accommodate the privacy interest that it hadn't even considered during the rulemaking process. And it's tried to patch things up without going through another rulemaking and without soliciting public comments on any of this. We think that's a mistake. We think that the agency, had it been forthright in its intentions from the outset, had it provided notice to the public, and then had it engaged in reasoned rulemaking, thinking through the issues, weighing the evidence, and explaining what it was that it did, could have avoided this imbroglio, and at the end of the day, still could wind up with a better and sounder policy than what it currently has on the books.

Speaker 1:

Counsel, you're well into your rebuttal time. [inaudible 00:13:36] two minutes for rebuttal.

Andrew Grossman:

Thank you, your Honor.

Speaker 1:

Ms. Walker.

Speaker 5:

Good morning.

Speaker 1:

Morning.

Speaker 5:

May it please the court. We are here today because Appellant, a corporate entity that has expressly disavowed any privacy or other personal interests in not providing its domicile address to the U.S. P.O. did not comply with a requirement for a complete application. The board affirmed the refusal to register the trademark in this case because Appellant declined to provide a domicile address as required by the rules. It also failed to avail itself of the available petition process to request relief from the environment, instead using that process to expressly disclaim any extraordinary circumstance that would exempt it from providing its domicile address to the U.S. P.T.O. in this case.

Speaker 4:

Is it appropriate for an applicant to challenge the validity of a regulation through a trademark, a board appeal of a denial of an application, and then come up here to the federal circuit to challenge the validity of that regulation for procedural errors, as opposed to going through a customary EPA action?

Speaker 5:

Right, your Honor. So we do not challenge the jurisdiction of this court or the procedure in bringing the action before this court. We do believe that there may be an additional basis to go to district court, that they wouldn't be foreclosed from going to district court on the procedural challenge, but that the Appellant here can be here and raise the procedural concerns that it's raising, with respect to the rule, at least as a jurisdictional matter.

I do think that there is a consideration that this court should take into account, though, that all of the injury or concerns that appellant raises with respect to the process by which the rules were promulgated are injuries that don't impact Appellant. Right? All of those injuries that Appellant claims flow from the rulemaking process relate to...

Speaker 3:

What impact would that have on our analysis, if any?

Speaker 5:

I do think that it makes the analysis here more speculative, and I think in particular, one thing to consider here is that the way in which this came up through the board and to this court is through a failure to comply with rules 2.189 and 2.32. Those are the ones that expressly require an applicant to provide domicile address. But what was clear in both the proposed rulemaking and the final rule is that the agency may request that information of any applicant, and so the effect would have been the same. If applicant hadn't provided a domicile address and the rules didn't specify in the initial application, it's clear that the agency could have asked Appellant at any time for that domicile information. And so the impact of the rulemaking matters in the sense that the claim of injury here just doesn't flow from the rulemaking itself, at least with respect to the particular rules that Appellant is arguing about here.

Speaker 4:

What would that opinion look like from this court? So we would affirm because they can't really make a case for challenging the validity of the regulation in this instance because they can't show an injury?

Speaker 5:

Well, I think that the court could affirm on the basis that the board properly applied the regulation to the applicant, and the applicant failed to comply with that regulation. If the court wants to further engage on the validity of the procedural process by which the rules were enacted, it can do so, but part of what I was addressing or suggesting is that the court should consider in its analysis how speculative some of those arguments are.

Speaker 3:

Two questions. What case law do you have to support this theory that you're presenting? And second, what evidence would we rely on to say it's speculative? I think you're saying maybe speculative as to the particular Appellant.

Speaker 5:

Well, it's speculative in the sense that...

Speaker 3:

I'm just trying to figure out how we can avoid the issues that they're relying on on appeal based on the theory that you're presenting and really start maybe with what case law are you relying on?

Speaker 5:

So I am not relying on particular case law here, and I want to be clear about that. And I also want to be clear that we think that the rulemaking was entirely proper, and if the court wants to affirm on that basis, we have no concern with that as well. I do think that there is a theory on which the court could affirm essentially as harmless error, right? That there is no harm here because the impact would have been the same if this had come under 2.11, a regulation that Appellant is not challenging here, and so that was the point that I was making.

I did want to address in particular both the argument that was made in reply this morning with respect to 2.11 and the idea that that is 2.11B, which is the regulation that says that the office may require an applicant to provide information that may reasonably be necessary to the proper determination of whether the party is subject to the requirement in paragraph A, and paragraph A then references the domicile of the applicant. Appellant has made the argument that that regulation means that the office can only ask in some instances or on a case-by-case basis, but that regulation says nothing about case-by-case or in particular instances, and again, this ties into the earlier argument which I was making, which is that there's nothing that would suggest that that requirement wouldn't apply to any particular applicant, including the applicant that we have in this case. If the court has no further questions, I would ask that they affirm.

Speaker 4:

Wow.

Speaker 3:

I want to ask a question. What is your argument about whether this is procedural or not? Appellant made an argument for why it's not procedural. Would you like to respond to that?

Speaker 5:

Yes. This is a procedural rule. This is not a rule that alters the rights or interests of the parties for the reasons that Judge Chen was offering earlier. This is not a rule that changes the substantive trademark analysis that goes into the examination of a trademark application, and courts have been clear that even when a procedural rule has a substantive effect, for example, in denying an application, and that's in the Gem Broadcasting case, that doesn't transform an otherwise procedural rule into one that is substantive. So this is clearly a procedural rule, both because the rule itself, the actual rule and the context in which this rulemaking was done, was one for U.S. counsel representation. That is not something that impacts the substantive trademark analysis. And because the particular requirement for an address is not one that impacts the substantive requirements.

Speaker 3:

What about the argument that the rule was arbitrary and capricious because other ways could have been used to determine whether somebody was a foreign applicant that thus needed an attorney?

Speaker 5:

Yes, your Honor. And I want to be clear because the reply perhaps raised some questions about this, we make an argument that the rule is not arbitrary and capricious in the context of notice-and-comment rulemaking. That's the way our brief is structured because the opening brief framed the arbitrary and capricious arguments in terms of logical outgrowth, and logical outgrowth, then, is one that only applies in the notice-and-comment rulemaking process. But the arguments are the same, whether it's in that part of our brief or just as a standalone section of the brief, which is that the rulemaking here was not arbitrary and capricious.

And there are reasons provided for why the office is requiring domicile, and that is because it has seen a huge influx in improper and likely fraudulent applications, more often than not from foreign applicants. And so it was looking for a way to provide U.S. counsel to those applicants, and to do so, it needed to know the domicile, right? And it needs to know the domicile of every applicant to determine whether or not they are subject to the rule that was the overall subject of this rulemaking process. So it was not arbitrary and capricious, both the proposed rule and the final rules.

Speaker 4:

What you've just said though, I mean, I wouldn't be able to find those words in the final rule in the Federal Register, right, in the narrative? I didn't see a connection in the final rule. Or maybe you can show me where in the Federal Register the P.T.O. said, "Okay, we didn't ask for it before, but now we've concluded we need everybody's domicile address, and here's why we need everybody's domicile address. It's because after thinking this through, we realized that people could be kind of shady and sneaky and not really accurately identify themselves as foreign applicants, so everyone needs to cough up their domicile address, including innocent U.S applicants." Where does it say that in the Federal Register?

Speaker 5:

It does not say that exactly, your Honor.

Speaker 4:

I don't remember it saying what you said either.

Speaker 5:

But it was clear, and I'm looking at the proposed rule on 4396, and I will find the citation in the final rule in just a minute, but the language was the same. So this is under the heading "Proposed Rule Changes," Roman numeral III, and this is the language that the court was earlier discussing with respect to the conditioning requirement on domicile, right? So it's about halfway down in the middle column. It says, "The majority of countries with a similar requirement condition this requirement on domicile, and the U.S. P.T.O. intends to follow this practice."

And then the U.S. P.T.O. in both the proposed rule and in the final rule defines domicile and principle place of business. And that definition does not change from the proposed rule to the final rule in any substantive way. There's some structural change, but no substantive change to the definition. So the P.T.O. was clear that it was conditioning the requirement on domicile, and it provided definitions for domicile and principle place of business.

Speaker 3:

Do you know where those definitions are?

Speaker 5:

Yes, your Honor. So those are in 2.20, which in the final rule, is on 31510. O and P are the definitions, and they're also in 2.20 and P in the proposed rule as well.

Speaker 1:

But most of the reasoning is that they're copying other countries.

Speaker 5:

Well, the reasoning for why they're requesting domicile is to determine who is subject to the local counsel rule, right? And they're clear, and the point that I was making earlier in response to Judge Chen's question was that the rules are clear that the P.T.O. is going to be looking to domicile, which it defines as a location, right? So we know it's a particular location and not a P.O. box, for example, in both the proposed rule and in the final rule.

Speaker 1:

Thank you, counsel.

Speaker 5:

Thank you. And we'd ask that the court affirm the board.

Speaker 1:

Dr. Grossman has two minutes for rebuttal.

Andrew Grossman:

Thank you, your Honor. Just a few points. First, it is common that parties challenge rules that are enforced about them in the context of those proceedings. I would direct the court to the Supreme Court's decision in Abbott Labs, which says that's the normal way of doing it. This court has done that in Aqua Products versus Matal and GHS Health, among others. Second, though we did suffer an injury, the rule that we contend is invalid was enforced against us, and our application was denied on that basis, so I don't think there is no harm here. Third, on arbitrary and capricious review, it doesn't matter whether the rule is procedural or not. That's why I started off by saying I think that's the easiest basis for the court to decide this case, is simply to say the agency didn't explain what it was doing, and that this requirement is invalid for that reason.

Even if you could infer from the record or from whatever you might read in between the lines of the proposed rule and the final rule, which we still don't think gets you there, but even if you could infer that there might be some basis for the agency to have done this, what the agency had to do was think about here are the potential benefits of this course of action, here are the potential costs, like the impact on applicants, and then try to balance those things in some fashion, in other words, acknowledge what the problem is, and then just have some type of reasoned explanation. Again, this isn't difficult, but that's what the agency had to do and what it didn't do here.

I would also note that on its face, this particular requirement doesn't make any sense, in terms of its scope. Why would the agency need the domicile address? If people who already have domestic counsel and are represented by domestic counsel already, why would it need that information from people who concede their foreign entity status? And why would it expect, by the way, that parties that the agency says are engaging in fraud in their applications wouldn't simply go onto Google Maps, and pull up a fraudulent address, and stick that on their applications? Look, maybe the agency would think, notwithstanding all these things, that the policy it had arrived at was the right one, but the agency had to explain that and do that while taking into account the costs of what it did. It didn't do that. And for that reason, we asked the court to vacate the decision below. Thank you.

Speaker 1:

Thank you, counsel. Submitted.