No. 15-563

IN THE
Supreme Court of the United States

MILO SHAMMAS,
Petitioner,

v.

MARGARET A. FOCARINO, COMMISSIONER OF PATENTS,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Under the "American Rule," each litigant generally pays its own attorney's fees unless a statute or contract specifically and explicitly provides otherwise. Section 21(b) of the Lanham Act, 15 U.S.C. § 1071(b), permits an unsuccessful applicant for a trademark to bring a "civil action" challenging the decision denying registration. When there is no adverse private party – that is, when the action is brought against the United States Patent and Trademark Office – "unless the court finds the expenses to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." *Id.* § 1071(b)(3).

The question presented is whether the Fourth Circuit's holding – that "the expenses of the proceeding" that "shall be paid" by a trademark applicant bringing an action under Section 21(b) include the salaries of attorneys and paralegals employed by the United States Patent and Trademark Office – violates the American Rule.

PARTIES TO THE PROCEEDINGS

Milo Shammas was the plaintiff in the district court and the appellant in the court of appeals.

Margaret A. Focarino, Commissioner of Patents, was the defendant in the district court and the appellee in the court of appeals.

David Kappos, in his official capacity as the then-Director of the United States Patent and Trademark Office ("PTO"), was a defendant in the district court. Upon his resignation effective February 1, 2013, Teresa Stanek Rea, in her official capacity as the then-Acting Director of the PTO, was substituted as the defendant. On December 2, 2013, Margaret A. Focarino, Commissioner of Patents, who had assumed the duties and functions of the Director of the PTO, was substituted as the defendant in her official capacity.

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INTRODUCTION

Petitioner sought review of a decision of the United States Patent and Trademark Office ("PTO") denying his application to register a trademark by filing a civil action in district court under Section 21(b) of the Lanham Act, 15 U.S.C. § 1071(b). Petitioner lost in district court; the PTO sought, and the district court awarded, attorney's fees. In so doing, the court violated the bedrock "American Rule," the centuries-old principle that each party to litigation generally bears its own attorney's fees in the absence of a statute or contract expressly authorizing the award of such fees. The Fourth Circuit, notwithstanding this Court's clear and repeated pronouncements, affirmed the district court *not* because the statute in question specifically and expressly authorizes attorney's fees – it does not – but instead on the basis that, in this context, the American Rule presumption does not apply.

The Fourth Circuit's decision violates this Court's precedents, which make clear that the American Rule applies whenever a court is asked to award attorney's fees. The result is all the more remarkable because the statute under which the district court awarded fees has 175-year-old antecedents, yet the PTO had never sought, much less been awarded, attorney's fees under this provision or its predecessors. Even when the PTO had (on occasion) litigated the scope of allowable "expenses," it disavowed any right to attorney's fees. The Fourth Circuit made no attempt to explain why it was reversing a settled understanding of the statute that had persisted since Roger Taney was Chief Justice.

This Court should grant review not only because the Fourth Circuit's decision is clearly incorrect but

also because it effectively deprives most applicants of a remedy that Congress specifically authorized. The prospect of liability for attorney's fees will render an action under Section 21(b) prohibitively expensive for virtually all trademark applicants; accordingly, as long as the decision below governs, Section 21(b) is rendered practically a dead letter. This Court should grant certiorari to correct a decision that flouts the scheme enacted by Congress.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-22a) is reported at 784 F.3d 219. The opinion of the district court (App. 23a-36a) is reported at 990 F. Supp. 2d 587.

JURISDICTION

The court of appeals entered its judgment on April 23, 2015. On July 1, 2015, a petition for rehearing was denied. App. 37a-38a. On September 18, 2015, Chief Justice Roberts extended the time within which to file a petition for a writ of certiorari to and including October 29, 2015. App. 43a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 21 of the Lanham Act, 15 U.S.C. § 1071, is set forth at App. 39a-42a.

STATEMENT OF THE CASE

1. This case concerns the rules governing judicial review of an adverse ruling from the Trademark Trial and Appeal Board (the "Board"). The Lanham Act sets out the procedures for registering a trademark. Section 1 authorizes the "owner of a trademark used in commerce" to apply for registration. 15 U.S.C. § 1051. Section 2 lists the grounds for the PTO to refuse the application. *Id.* § 1052. Section 20 allows the applicant to file an administrative appeal of "any final decision of the examiner in charge of the registration of marks" with the Board. *Id.* § 1070.

If the Board denies the internal appeal, Section 21 of the Lanham Act provides two paths to seek judicial review of that final agency action. Under Section 21(a), an unsuccessful applicant can appeal to the United States Court of Appeals for the Federal Circuit; the court of appeals reviews only "the record before the [PTO]." 15 U.S.C. § 1071(a)(4). Alternatively, under Section 21(b), an aggrieved applicant can file a civil action in federal district court to remedy the Board's decision. *Id.* § 1071(b)(1). An applicant can file this action against the Director of the PTO when the rejection follows an ex parte application, or against a competing applicant when the rejection followed an inter partes proceeding.

Section 21(b) does not limit the applicant to the record before the PTO. The applicant can conduct additional discovery and develop new facts to further support its claim. 15 U.S.C. § 1071(b)(3); *see also Kappos v. Hyatt*, 132 S. Ct. 1690, 1694 (2012) (addressing analogous provision of the Patent Act, 35 U.S.C. § 145). In an ex parte case "where there is no adverse party" other than the PTO Director, "unless the court finds the expenses to be unreasonable, all

the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not." 15 U.S.C. § 1071(b)(3).

2. Petitioner Milo Shammas filed a federal trademark application for the mark PROBIOTIC on June 12, 2009. C.A. App. 8-9 (¶ 5). On September 14, 2009, an Office Action denied registration on the basis that the mark was descriptive and generic. *Id.* at 9 (¶ 6). On February 24, 2011, a Final Office Action maintained the rejection. *Id.* at 10 (¶ 8). Petitioner appealed to the Board, which affirmed the rejection. *Id.* at 10 (¶¶ 10-12).

Petitioner filed a civil action challenging the Board's decision pursuant to Section 21(b) in the United States District Court for the Eastern District of Virginia. *Id.* at 7-13. After limited discovery, the court granted summary judgment as a matter of law to the PTO, finding that substantial evidence supported the Board's decision and that petitioner had not produced sufficient new evidence to the contrary. *Shammas v. Rea*, 978 F. Supp. 2d 599, 614-15 (E.D. Va. 2013).

3. After the district court's ruling, the PTO sought payment from Shammas. Petitioner did not oppose certain requests, including attorney's fees under Federal Rule of Civil Procedure 37(b)(2)(C) relating to an earlier PTO motion to strike and $396.40 for photocopying charges. *See* Dist. Ct. Dkt. 48, at 2, 14; C.A. App. 41-43. The PTO also sought to recover, under Section 21(b)(3), the salaries of PTO attorneys and paralegals who worked on the case as a purported "expense of the proceeding." C.A. App. 41-43. These fees, calculated by prorating each employee's yearly salary based on the number of hours spent on the case, totaled $36,926.59. *Id.*

Petitioner opposed the PTO's request. He noted that the American Rule requires each litigant to pay its own attorney's fees and that Section 21(b) fails to overcome this presumption because it does not expressly authorize the award of attorney's fees. Dist. Ct. Dkt. 48, at 2. In light of this Rule, he further noted – and the PTO did not contest – that "nowhere in the hundreds of cases which have proceeded in district courts" under either Section 21(b)(3) or the analogous section of the Patent Act, 35 U.S.C. § 145, had the PTO ever "asked to recover the money paid to its attorneys for hours worked" as an "expense." Dist. Ct. Dkt. 48, at 2.

4. The district court granted the PTO's motion for attorney's fees. The court found it "pellucidly clear" that Congress intended, by the word "expenses," to require applicants to pay the PTO's attorney's fees. App. 29a. Deeming it "a straightforward case of statutory interpretation," the court turned first to the plain language of the statute and found that dictionary definitions of "expenses" "would clearly seem to include attorney's fees." App. 28a-29a. The court further found that "Congress's addition of the word 'all' [clarified] the breadth of the term 'expenses.'" App. 29a. The court also listed several federal statutes, "all of which explicitly include 'attorney's fees' as a subset of 'expenses.'" *Id.* The court did not mention the American Rule.

5. A divided panel of the Fourth Circuit affirmed. App. 1a-22a. The majority agreed with the district court that "expenses" should be read broadly enough to include attorney's fees. App. 2a-3a. "And even though the PTO's attorneys in this case were salaried," meaning the PTO would have paid them regardless of whether petitioner brought this action,

"we conclude that the PTO nevertheless incurred expenses when its attorneys were required to defend the Director in the district court proceedings, because their engagement diverted the PTO's resources from other endeavors." App. 5a-6a.

Next, the court decided that the American Rule did not apply. It stated that "the American Rule provides only that '*the prevailing party* may not recover attorneys' fees' *from the losing party*." App. 6a (quoting *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 245 (1975)) (emphases added by court below). Because Section 21(b) requires an ex parte applicant to pay expenses "whether the final decision is in favor of such party or not," 15 U.S.C. § 1071(b)(3), the court determined that it is not the type of "fee-shifting statute that operates against the backdrop of the American Rule." App. 7a. Therefore, the court applied its interpretation of the statute's plain meaning: that "expenses" can mean "attorney's fees."

The court also concluded that the Lanham Act's structure and legislative history support imposing attorney's fees on applicants who pursue judicial review under Section 21(b). Structurally, because Section 21(b) allows for "a more fulsome and expensive procedure" than an appeal to the Federal Circuit under Section 21(a), the court determined that "it makes good sense to construe 'expenses' to include attorneys fees and paralegals fees." App. 11a. As for legislative history, the court explained that the Lanham Act's "expenses" provision is rooted in the analogous provision of the Patent Act, which has remained unchanged since its passage, *see* Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354. Based on the various provisions of the Patent Act of 1836 – includ-

ing one that "established 'a fund for the payment of the salaries of the officers and clerks . . . and all other expenses of the Patent Office'" – the court concluded that the word "expenses" in that statute incorporated attorney's fees. App. 13a-14a (emphasis omitted).

6. Judge King dissented. App. 15a-22a. Noting the "well-settled tradition dating almost to our Nation's founding" that "strongly disfavors awards of attorney's fees that are authorized solely by the courts," Judge King found "at least three compelling reasons" why the Lanham Act cannot be read to provide for attorney's fee awards. App. 15a-16a.

First, the words "attorney's fees" are nowhere found in Section 21(b)(3). At the same time, Congress explicitly authorized attorney's fees in at least five other places in the portion of the Lanham Act governing trademarks. *See* App. 17a (listing provisions). "Because Congress made multiple explicit authorizations of attorney's fees awards in Chapter 22 of Title 15 – but conspicuously omitted any such authorization from § 1071(b)(3) – we must presume that it acted 'intentionally and purposely in the disparate . . . exclusion.'" *Id.* (citing *Clay v. United States*, 537 U.S. 522, 528 (2003)) (alteration in original).

Second, Congress did not include other language to fill the absence of the words "attorney's fees." The term "expenses" alone is insufficient to authorize attorney's fees. Not only does Section 21(b) itself fail to define the term, but dictionaries also consider "expenses" as "generally synonymous with the word 'costs'" – another word that does not unambiguously include "attorney's fees." App. 19a; *see id.* (listing dictionary definitions of "expenses").

Third, absent explicit language, the PTO's claim for attorney's fees "can only succeed 'if an examination of the relevant legislative history demonstrates that Congress intended to give a broader than normal scope' to the phrase 'all the expenses of the proceeding.'" App. 19a-20a (quoting *Summit Valley Indus., Inc. v. Local 112, United Bhd. of Carpenters & Joiners*, 456 U.S. 717, 723 (1982), and 15 U.S.C. § 1071(b)(3)). That intent is absent from the history of Section 21(b).

Finally, the dissent rejected the majority's contention that the American Rule does not apply to Section 21(b). That holding misses the "'intuitive notions of fairness'" that the American Rule embodies. App. 21a-22a (quoting *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 685 (1983)). "Indeed, a primary justification for the Rule is that a party 'should not be *penalized* for merely . . . prosecuting a lawsuit.'" App. 21a (quoting *Summit Valley*, 456 U.S. at 724) (alteration in original). Requiring petitioner to pay the PTO's attorney's fees would "simply penalize him for seeking vindication of his trademark rights." *Id.*

7. The Fourth Circuit denied the petition for rehearing and rehearing en banc. App. 37a-38a.

REASONS FOR GRANTING THE PETITION

The Fourth Circuit's decision to award attorney's fees conflicts with this Court's precedents, the better part of two centuries of practice, and the essential purpose of Section 21(b) of the Lanham Act. Congress enacted Section 21(b) to open a path for trademark applicants to exercise their right to judicial review in a *de novo* civil action in district court – a path that the Fourth Circuit has now effectively closed for most applicants. This Court should grant review to vindicate the scheme enacted by Congress.

I. THE FOURTH CIRCUIT'S HOLDING CONFLICTS WITH THIS COURT'S PRECEDENTS AND SETTLED HISTORICAL UNDERSTANDING OF THE STATUTE

A. The Fourth Circuit's Holding That the American Rule Does Not Apply to This Statute Violates This Court's Precedents

1. The Fourth Circuit's holding that Section 21(b) authorized the award of attorney's fees is in error because it violates the "American Rule," the "'bedrock principle'" that, in all civil litigation, "'[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise.'" *Baker Botts LLP v. Asarco LLC*, 135 S. Ct. 2158, 2164 (2015) (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-53 (2010)). "The American Rule has roots in our common law reaching back to at least the 18th century," *id.*, and is "deeply rooted in our history and in congressional policy," *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 271 (1975).

This Court has made clear that "it is not for [the courts] to invade the legislature's province by redistributing litigation costs." *Id.* The American Rule

therefore provides a strong principle of statutory construction, applicable in all federal civil litigation, that a district court may not award attorney's fees under a statute unless it contains "specific and explicit provisions" that authorize the award. *Id.* at 260; *see also, e.g.*, *Buckhannon Bd. & Care Home, Inc. v. West Virginia Dep't of Health & Human Res.*, 532 U.S. 598, 602 (2001) ("Under this American Rule, we follow a general practice of not awarding fees to a prevailing party absent explicit statutory authority.") (internal quotation marks omitted); *Key Tronic Corp. v. United States*, 511 U.S. 809, 814 (1994) ("[A]ttorney's fees generally are not a recoverable cost of litigation 'absent explicit congressional authorization.'") (quoting *Runyon v. McCrary*, 427 U.S. 160, 185 (1976)).

2. Notwithstanding this Court's clear precedents, the Fourth Circuit held that the American Rule did *not* apply to the government's request for attorney's fees under Section 21(b). *See* App. 7a (holding that Section 21(b) "is not a fee-shifting statute that operates against the backdrop of the American Rule"). According to the court of appeals, the American Rule applies only to restrict the shifting of fees from the prevailing party to the losing party; Section 21(b), on the other hand, requires plaintiffs in an action against the government to pay expenses whether or not they prevail. For that reason, the court held, "the American Rule . . . is not applicable here." *Id.*

That conclusion flouts this Court's precedents. This Court has "consistent[ly] adhere[d] to the American Rule" for more than 200 years. *Summit Valley Indus., Inc. v. Local 112, United Bhd. of Carpenters & Joiners*, 456 U.S. 717, 721 (1982). That rule creates a presumption that each litigant will bear its

own fees, period. "[A]ttorney's fees generally are not a recoverable cost of litigation absent explicit congressional authorization." *Key Tronic*, 511 U.S. at 814 (internal quotation marks omitted); *see also Marx v. General Revenue Corp.*, 133 S. Ct. 1166, 1175 (2013) ("each litigant pays his own attorney's fees, win or lose") (internal quotation marks and brackets omitted); *Marek v. Chesny*, 473 U.S. 1, 8 (1985) ("under the 'American Rule,' each party [is] required to bear its own attorney's fees" except pursuant to a court's "'inherent power'" and where "federal statutes . . . direct[] courts to award attorney's fees as part of costs in particular cases") (quoting *Alyeska Pipeline*, 421 U.S. at 259). That principle is fully implicated whenever a party seeks to impose its attorney's fees on an opposing litigant; no case supports the proposition that the presumption is applicable only when a statute shifts attorney's fees from the losing party to the prevailing party.

The Court reaffirmed the pervasive applicability of this presumption in *Baker Botts*.[1] That case addressed whether § 330(a)(1) of the Bankruptcy Code – which authorizes "reasonable compensation for actual, necessary services rendered by [an] . . . attorney" assisting a bankruptcy trustee, 11 U.S.C. § 330(a)(1)(A) – also authorizes the award of fees that an attorney accrues in defending an application for compensation. 135 S. Ct. at 2162-63. This Court began by stating that "'[o]ur basic point of reference

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[1] *Baker Botts* was decided after the panel ruled; although petitioner brought it to the attention of the en banc Fourth Circuit prior to the denial of rehearing, the court below did not address the decision. As an alternative to plenary review, the Court could grant the petition, vacate the judgment, and remand for reconsideration in light of *Baker Botts*.

when considering the award of attorney's fees is the bedrock principle known as the American Rule.'" *Id.* at 2164 (quoting *Hardt*, 560 U.S. at 252-53). This was so even though the award of fees under the statute in question, as under Section 21(b), does not depend on whether the work that the attorney does on behalf of the estate is successful. *Baker Botts* thus confirms that *any* claim for attorney's fees under a federal statute, without exception, must overcome the general rule that "'[e]ach litigant pays his own attorney's fees.'" *Id.* (quoting *Hardt*, 560 U.S. at 252-53).

Indeed, this Court's decisions make clear that, contrary to the Fourth Circuit's reasoning, the fact that Section 21(b) authorizes an award of expenses to the PTO even when the applicant prevails on the merits and the PTO loses makes it more, not less, appropriate to apply the American Rule presumption. As this Court noted in *Baker Botts*, "allow[ing] courts to pay" even unsuccessful attorneys would be "a particularly unusual deviation from the American Rule." *Id.* at 2166. Before authorizing such an award, this Court's precedents require "a clear showing that this result was intended." *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 685 (1983).

B. Section 21(b) Does Not Authorize the Award of Attorney's Fees

1. Section 21(b), in light of that rule of construction and in statutory context, does not provide any explicit authorization for an award of attorney's fees. Although the statute refers to "expenses of the proceeding," it does not contain any language that Congress typically employs to signify that an award of *fees* is authorized – that is, it does not refer to "attorney's fees" or "legal fees" or to the PTO's "litigation

costs." *Cf. Baker Botts*, 135 S. Ct. at 2164. Given the requirement for clear and explicit authorization, the absence of such language, even without more, should be dispositive.

Furthermore, the absence of language authorizing fees in so many words takes on added significance because, in five other provisions of the *same statute*, Congress did expressly authorize the award of fees. Section 32 of the Lanham Act provides for liability "for any damages, including costs and attorney's fees," 15 U.S.C. § 1114(2)(D)(iv); Section 34 permits the "recover[y of] a reasonable attorney's fee," *id.* § 1116(d)(11); Section 35(a) allows a court to award "reasonable attorney fees" in "exceptional cases," *id.* § 1117(a); Section 35(b) requires award of "a reasonable attorney's fee" unless "the court finds extenuating circumstances," *id.* § 1117(b); and Section 40 provides for award of "attorney's fees" against the United States, *id.* § 1122(c). "[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act," it does so "intentionally and purposely." *Russello v. United States*, 464 U.S. 16, 23 (1983) (internal quotation marks omitted). These provisions underscore that, if Congress had wished to authorize attorney's fees in Section 21(b), "it easily could have done so." *Baker Botts*, 135 S. Ct. at 2166.

2. The Fourth Circuit did not find that the phrase "all the expenses of the proceeding" contains the type of express authorization that is required to overcome the American Rule presumption – on the contrary, the court rejected the proposition that the statute must "explicitly include attorneys fees." App. 8a. In any event, that phrase cannot properly be construed to include attorney's fees. At the outset,

this Court has never construed the term "expenses" or "all expenses" to include attorney's fees. Congress has frequently used the term "expenses" to signify a category of expenditure *distinct* from attorney's fees.[2] And, when Congress intends to include "attorney's fees" among the "expenses" or "costs" that a litigant may recover, it does so expressly.[3] Without clear language authorizing the award of attorney's fees, the word "expenses," like its synonym "costs," cannot be read to authorize an award of those fees. *See Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 719-21 (1967) (holding that Lanham Act provision authorizing award of "costs of the action" in infringement suit did not authorize award of attorney's fees).

The inclusion of the word "all" in the phrase "all the expenses of the proceeding" does not supply the explicit authorization that "expenses" lacks. The modifier makes clear that a Section 21(b) plaintiff must bear all expenses, but does not signify that these expenses include attorney's fees in the absence

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[2] *See, e.g.*, 11 U.S.C. § 363(n) (allowing a trustee to recover "any costs, attorneys' fees, or expenses incurred"); 12 U.S.C. § 1464(d)(1)(B)(vii) (authorizing a court to award "reasonable expenses and attorneys' fees"); 15 U.S.C. § 6309(d) (authorizing the award of "reasonable attorneys fees and expenses"); 26 U.S.C. § 6673(a)(2) (authorizing the Tax Court to require payment of "excess costs, expenses, and attorneys' fees"); 28 U.S.C. § 1875(d)(2) (referring to "attorney fees and expenses incurred"); 31 U.S.C. § 3730(d)(4) (authorizing the award of "reasonable attorneys' fees and expenses").

[3] *See, e.g.*, 5 U.S.C. § 504(a)(1) (authorizing recovery of "fees and other expenses"); 18 U.S.C. § 2333(a) ("cost of the suit, including attorney's fees"); 29 U.S.C. § 2005(c)(3) ("reasonable costs, including attorney's fees") App. 29a-30a (listing provisions).

of any language to that effect. *Cf. Flora v. United States*, 362 U.S. 145, 149 (1960) ("'any sum,'" while a "catchall" phrase, does not "define what it catches"); *see also York Research Corp. v. Landgarten*, 927 F.2d 119, 123 (2d Cir. 1991) (finding phrase "any and all . . . expenses" ambiguous with respect to whether attorney's fees were included).

Moreover, both the district and appellate courts ignored that the statute refers to "all the expenses *of the proceeding*." Congress could have referred specifically to fees and expenses "of the PTO" or "incurred by the PTO." *See, e.g.*, 28 U.S.C. § 1927 (authorizing courts to require "[a]ny attorney or other person" who "so multiplies the proceedings in any case unreasonably and vexatiously" to "satisfy personally the excess costs, expenses, and attorneys' fees reasonably *incurred because of such conduct*") (emphasis added); 5 U.S.C. § 504(a)(1) ("[a]n agency that conducts an adversary adjudication shall award . . . fees and other expenses incurred by [a] party in connection with that proceeding"). Rather, Congress referred to expenses "of the proceeding," a term most naturally read to refer to out-of-pocket expenses paid to the tribunal or incurred to comply with procedural requirements, not the salaries of government lawyers. *Cf. Richlin Sec. Serv. Co. v. Chertoff*, 553 U.S. 571, 578 (2008) (rejecting the government's argument that "amounts billed for paralegal services should be classified as 'expenses' rather than as 'fees'").

C. The History of Section 21(b) Provides Further Strong Evidence That the Fourth Circuit's Departure from the American Rule Was Erroneous

The Fourth Circuit's decision is especially perplexing because the government had never – prior to pre-

sent events – sought, much less been awarded, attorney's fees in a case under Section 21(b) or its predecessors. One hundred and seventy years is a long time for the government to fail to notice that attorney's fees were available for the asking.

1. The expense-shifting provision of Section 21(b) has its roots in the Patent Act of 1839, which enabled patent applicants to file a bill in equity in federal district court for "all cases where patents are refused for any reason whatever." Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354. "[I]n all cases where there is no opposing party" – ex parte applications – "the whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise." *Id.*; *see also Kappos v. Hyatt*, 132 S. Ct. 1690, 1697-98 (2012) (providing history). Now, dissatisfied patent applicants can bring a civil action under 35 U.S.C. § 145, which still requires that "[a]ll the expenses of the proceedings shall be paid by the applicant."

Section 21(b) of the Lanham Act mirrors this part of the Patent Act. When first enacted in 1946, the Lanham Act simply incorporated by reference a version of the Patent Act, R.S. § 4915, allowing any aggrieved trademark applicant to "proceed . . . under the same conditions, rules, and procedure as are prescribed in the case of patent appeals or proceedings so far as they are applicable." Act of July 5, 1946, ch. 540, § 21, 60 Stat. 427, 435. In 1962, Congress amended Section 21 into roughly its current form, *see* Act of Oct. 9, 1962, Pub. L. No. 87-772, § 12, 76 Stat. 769, 771-73, in order to incorporate "the various provisions of [the Patent Act] relating to . . . appeals and review," S. Rep. No. 87-2107, at 7 (1962), *reprinted in* 1962 U.S.C.C.A.N. 2844, 2850.

In 1988, the last time it substantively amended Section 21(b), Congress clarified Section 21(b) to relieve applicants from paying expenses if "the court finds the expenses to be unreasonable." Trademark Law Revision Act of 1988, Pub. L. No. 100-667, tit. I, § 120(4), 102 Stat. 3935, 3942. That amendment followed the established practice of the federal courts of limiting "all expenses" to all *reasonable* expenses. *See Watson v. Allen*, 274 F.2d 87, 88 (D.C. Cir. 1959) ("Congress did not intend to empower the Commissioner of Patents to incur unreasonable expenditures and impose that unreasonable burden upon private applicants"). At the time of that amendment, it had been 13 years since this Court's decision in *Alyeska Pipeline*, during which time "Congress [had] responded . . . by broadening the availability of attorney's fees in the federal courts" under other federal statutes. *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 444 (1987). Congress did so specifically in the Lanham Act, authorizing, in 1975, attorney's fee awards in trademark infringement actions under Section 35(a). *See* Act of Jan. 2, 1975, Pub. L. No. 93-600, § 3, 88 Stat. 1955, 1955.[4] It made no such change to Section 21(b).[5]

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[4] The accompanying Senate Report specifically discusses the American Rule. *See* S. Rep. No. 93-1400, at 3-6 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7132, 7134-36.

[5] Congress's inaction has added significance because it has repeatedly made other changes to the statute. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 9(a), 125 Stat. 284, 316 (2011); Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, § 3(c), 124 Stat. 66, 67; Patent and Trademark Office Efficiency Act, Pub. L. No. 106-113, div. B, § 1000(a)(9) [App. I, tit. IV, subtit. G, § 4732(b)(1)(B)], 113 Stat. 1501, 1536, 1501A-572, 1501A-583 (1999); Trademark Law Revision Act of 1988, Pub. L. No. 100-667, tit. I, § 120, 102

2. Throughout this long history, the government recognized that the expenses authorized by Section 21(b) and its predecessors did not include attorney's fees. In particular, the government never sought – in any of hundreds of litigated cases – to recover such fees. Such forbearance would be utterly inexplicable if the statute authorized them.

Moreover, on one of the rare occasions when the meaning of "all expenses" was litigated, the government disavowed any suggestion that the statute authorized the recovery that it seeks in this case. In *Robertson v. Cooper*, 46 F.2d 766 (4th Cir. 1931), the district court denied the government recovery for the travel expenses of one of its lawyers to attend a deposition, and the government appealed. In defending the district court's judgment, the applicant argued that, unless expenses were limited strictly to court costs, it would invite abuses, including attempts by the government to recover "parts of the salaries of the Patent Office solicitor, of the solicitor general, of the Patent Office clerks." Br. for Appellee at 37, *Robertson v. Cooper*, No. 3066 (4th Cir. filed Oct. 14, 1930). The government called such items "so remote that they need not be seriously considered." Defendant-Appellant's Reply to Plaintiff-Appellee's Br. at 10, *Roberston v. Cooper*, No. 3066 (4th Cir. filed Oct. 31, 1930).[6]

Stat. 3935, 3942; Technical Amendments to the Federal Courts Improvement Act of 1982, Pub. L. No. 98-620, tit. IV, subtit. C, § 414(b), 98 Stat. 3335, 3363 (1984); Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 162(1), 96 Stat. 25, 49; Act of Jan. 2, 1975, Pub. L. No. 93-600, § 2, 88 Stat. 1955, 1955; Act of Jan. 2, 1975, Pub. L. No. 93-596, § 1, 88 Stat. 1949, 1949.

[6] In a case litigated two decades later, the PTO referred to the "relatively small expenses incident to . . . trial in the District Court," Br. for Appellee at 5, *Cook v. Watson*, No. 11,675 (D.C.

The government did not even attempt to justify its change of position in this case, and the Fourth Circuit majority simply ignored it. *Cf.* App. 21a n.4 (King, J., dissenting) (calling the PTO's failure to seek recovery of attorney's fees under the statute "more than passing strange"). But if Congress had intended for the PTO to recover its attorney salaries, the agency's failure to do so for more than 170 years – and the resulting harm to the public fisc – presumably would have attracted legislative attention. That Congress maintained the "all the expenses of the proceeding" language in the light of this long practice decisively refutes the government's position in this case.

3. In light of all this, the panel majority's invocation of the legislative history has no force. The panel majority noted that the Patent Act of 1836 referred to "expenses of the Patent Office" to include "salaries," Act of July 4, 1836, ch. 357, § 9, 5 Stat. 117, 121, and suggested that Congress therefore intended the word "expenses" in the predecessor statute to Section 21(b) (adopted in 1839) also to include salaries. But the 1839 statute used a different phrase from the 1836 act – it authorized recovery of expenses "*of the proceeding*," not "of the Patent Office." The PTO offered no evidence below to support any claim that the "expenses" of a "proceeding" was understood then or later to include a litigant's attorney's fees.

Cir. filed Mar. 1953) – a reference that would make no sense if expenses included attorneys' salaries. And it acknowledged that the only expenses recoverable under the statute are reasonable expenses actually "incur[red]" in connection with an action. *Id.* at 6. The government never tried to claim that government salaries were among those expenses.

II. THE FOURTH CIRCUIT'S DECISION IMPROPERLY LIMITS APPLICANTS' ABILITY TO INVOKE SECTION 21(b)

This Court's review is urgently needed because the Fourth Circuit's decision effectively eliminates Section 21(b) as a viable avenue for most trademark applicants to obtain judicial review. *Cf. Martin v. Franklin Capital Corp.*, 546 U.S. 132, 140 (2005) ("[T]here is no reason to suppose Congress meant to confer a right . . . , while at the same time discouraging its exercise in all but obvious cases.").

A. As the district court acknowledged, a reading of "expenses" that includes litigants' attorney's fees turns Section 21 into "an odd statute." App. 27a n.2. Under that interpretation, "Congress no sooner provides th[e] choice" for a dissatisfied applicant to file a civil action and conduct beneficial discovery "than it takes an energetic step to discourage its use." *Id.* To be sure, Congress did impose the "heavy economic burden" of requiring applicants to pay all expenses of the proceeding. *Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), *aff'd*, 132 S. Ct. 1690 (2012). But adding attorney's fees on top of expenses would create a burden unlike any other in the law.

Attorney's fees in any action under Section 21(b) will likely amount to, at a minimum, tens of thousands of dollars. In this simple case, the PTO asks petitioner to pay more than $36,000 for its lawyers and paralegals. By comparison, trademark applicants pay a filing fee of at most $375, *see* 37 C.F.R. § 2.6(a)(1), and an additional fee of only $100 if the applicant appeals an adverse decision within the agency, *see id.* § 2.6(a)(18). This vast discrepancy effectively reads Section 21(b) out of the statute. *See* Corrected Br. for *Amicus Curiae* International

Trademark Ass'n in Support of Appellant at 24, *Shammas v. Focarino*, No. 14-1191 (4th Cir. filed June 11, 2014), 2014 WL 2605810 (the award of attorney's fees as an "expense[] of the proceeding" threatens to "remove district court review under Section 21(b) as a viable procedure for all but the wealthiest applicants").

Section 21(b), moreover, provides an important alternative for trademark applicants who seek to challenge adverse administrative determinations. The availability of a *de novo* review proceeding in district court under Section 21(b) gives the PTO latitude to adopt relatively informal procedures for examining trademark applications at the agency level – including imposing limitations on discovery and presentation of evidence – which reduces the overall cost of trademark examinations. In most of the (relatively few) cases that are appealed from the Board, so long as the applicant can maintain its challenge on the record before the agency, the applicant would have no reason to incur the additional burden of litigation in district court and payment of "all the expenses of the proceeding." Accordingly, an applicant is likely to pursue the rare course of district court litigation only where the opportunity to develop and present evidence that could not be presented before the Board may affect the outcome.

The Fourth Circuit asserted that "it makes good sense to construe 'expenses' to include attorneys fees and paralegal fees because the time that PTO employees spend in defending the Director [of the PTO] will constitute the majority of the PTO's expenses." App. 11a. This is precisely the sort of policy judgment, untethered to express statutory authorization, that the American Rule takes out of the courts' purview. Furthermore, it ignores the fact that, in any

judicial challenge to administrative action, the agency must defend its decision, employing attorneys, paralegals, and other personnel in the process. That is part of the government's job. To the extent district court litigation requires the government to incur out-of-pocket expenses – in the government's words, "the usual court costs, the costs of reporting the testimony of witnesses, the travel of attorneys or Government representatives," Br. for the Comm'r of Patents at 35, *Robertson v. Cooper*, No. 3066 (4th Cir. filed Oct. 4, 1930) – the statute allows the government to recover them. It does not authorize the government to force a litigant to pay the salaries of government personnel as a condition of access to the district court.

B. The Fourth Circuit's decision also creates a fee-shifting provision that is unlike any other provision in the United States Code. Congress has explicitly authorized the award of attorney's fees in hundreds of statutory provisions. Section 21(b) not only does not share those provisions' language, it does not share their general purposes. As a rule, those provisions fall into three general categories: they provide attorney's fees for successful litigants to encourage private enforcement of important federal statutes or to sanction egregious conduct;[7] they permit the district court to use its discretion to award fees, often as a sanction for litigation misconduct;[8] or they provide attorney's fees to the United States or state govern-

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[7] *See, e.g.*, 11 U.S.C. § 363(n); 15 U.S.C. § 26; 42 U.S.C. § 1988(b).

[8] *See, e.g.*, 5 U.S.C. § 552b(i); 7 U.S.C. § 2565; 12 U.S.C. § 1844(f).

ments where, for example, they sue to remedy civil rights violations or other public transgressions.[9]

In sum, statutory attorney's fees provisions generally serve either a punitive purpose – as a sanction for litigation misconduct or for serious wrongdoing – or they provide an incentive for plaintiffs to pursue private enforcement actions that may have special public-interest benefits. *See, e.g., Fox v. Vice*, 131 S. Ct. 2205, 2213 (2011) (noting that fee-shifting in civil rights cases "at once reimburses a plaintiff for what it cos[t] [him] to vindicate [civil] rights and holds to account a violator of federal law") (alterations in original; citation and internal quotation marks omitted); *Martin*, 546 U.S. at 140-41 (noting deterrent effect of award of attorney's fees); *see also Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 483 U.S. 711, 737 (1987) (Blackmun, J., dissenting) ("[F]ee awards were considered to be 'an essential remedy' in order to encourage enforcement of the law.") (citation omitted).

Just as significant, "[m]ost fee-shifting provisions permit a court to award attorney's fees only to the 'prevailing party,'" and, even where a district court has discretion to award fees "whenever . . . appropriate," the party seeking fees must show "'some degree of success on the merits.'" *Hardt*, 560 U.S. at 253-54 (quoting *Ruckelshaus*, 463 U.S. at 694). By contrast, Section 21(b) requires a plaintiff to bear all the expenses of the proceeding even when the plaintiff prevails. That makes the imposition of attorney's fees even more difficult to square with the ordinary treatment of such fees – the context in which Con-

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[9] *See, e.g.*, 12 U.S.C. § 1723i(e); 15 U.S.C. § 15c(a)(2); 16 U.S.C. § 470aaa-6(b)(2)(B).

gress was legislating when it adopted Section 21(b). *See Marx*, 133 S. Ct. at 1175.

For all of these reasons, an interpretation of Section 21(b) that permits the PTO to recover the salaries of its attorneys and paralegals in every civil action – no matter how meritorious the applicant's challenge – undermines the plain purpose of the statute and should not be allowed to stand.

C. This Court should not wait for a potential circuit split to develop over the interpretation of "all the expenses" in Section 21(b). The court of appeals' ruling substantially raises the risk that a plaintiff will incur punitive liability for attorney's fees or, at a minimum, face lengthy and costly litigation to fight off the PTO's demands. *Cf. Buckhannon*, 532 U.S. at 609 ("'[a] request for attorney's fees should not result in a second major litigation'") (quoting *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983)). For all potential plaintiffs, the Fourth Circuit's ruling effectively shuts the door of the courthouse in the Eastern District of Virginia, which is the one court with authority to hear all actions under Section 21(b). *See* 28 U.S.C. § 1391(e)(1); 35 U.S.C. § 1(b) (PTO "shall be deemed, for purposes of venue in civil actions, to be a resident of the district in which its principal office is located"). Even outside the Fourth Circuit, a plaintiff will have to gamble on the hope that the courts will reject the government's arguments and a precedential decision from a circuit court. And the chilling effect is even more pronounced for trademark applicants within the Fourth Circuit, who cannot avoid the binding effect of the decision below.

Furthermore, the Fourth Circuit's ruling will also affect potential litigation under the analogous provision of the Patent Act, 35 U.S.C. § 145. *All* cases un-

der that provision must be brought in the Eastern District of Virginia, the same district court that issued the ruling reviewed in this case. The PTO will undoubtedly take the position that, just as its attorney's fees are included within the "all the expenses of the proceeding" language in Section 21(b)(3), so are they included in the "[a]ll the expenses of the proceedings" language of § 145. Any patent applicant contemplating a challenge to the denial of her application thus faces the near certainty that the federal district court in Virginia will award fees against her, making appeal (to the Federal Circuit) to challenge the award of fees to the PTO, even in a successful action on the merits, practically inevitable.

Such a barrier is precisely the result for which the PTO is hoping. The PTO strenuously dislikes the idea of a *de novo* civil action to challenge the denial of an application for a trademark or a patent, and its litigation positions are an adjunct to its legislative efforts to persuade Congress to repeal the statute.[10]

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[10] *See Kappos v. Hyatt*, 132 S. Ct. 1690 (2012) (unanimous rejection of PTO argument that no new evidence may be introduced in an action under § 145); Charles E. Miller, *The USPTO's Ongoing Campaign To Suppress The Right To U.S. District Court De Novo Review Of Administrative Decisions In Patent Applications And Of The Agency's Post-Grant Review Of Issued Patents*, Metropolitan Corporate Counsel (Nov. 18, 2013) (discussing H.R. 3309, 113th Cong. (2013)), *available at* http://www.metrocorpcounsel.com/articles/26337/uspto%E2%80%99s-ongoing-campaign-suppress-right-us-district-court-de-novo-review-administrati; Courtenay C. Brinckerhoff, *Congressman Goodlatte Proposes Patent Reform to Eliminate Section 145 Actions And Exelixis I-Type Patent Term Adjustment*, PharmaPatents (June 3, 2013) ("Apparently, the USPTO is not content to live with this [Court's] decision [in *Kappos v. Hyatt*].", *available at* http://www.pharmapatentsblog.com/2013/06/03/

But it is no part of the role of the executive branch to eviscerate a statute duly enacted by Congress. That is exactly what the government is doing here, with the Fourth Circuit's acquiescence. This Court should grant review to prevent that result.

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congressman-goodlatte-proposes-patent-reform-to-eliminate-section-145-actions-and-exelixis-i-type-patent-term-adjustment/.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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