

No. __ - ____

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

WILLIAM C. STEFFIN
ARMIN AZOD
BERLINER STEFFIN
AZOD LLP
1801 Century Park East
24th Floor
Century City, CA 90067
(310) 734-8442

JOHN N. JENNISON
JENNISON & SHULTZ, P.C.
2001 Jefferson Davis Hwy.
Suite 1102
Arlington, VA 22202
(703) 415-1640

October 29, 2015

AARON M. PANNER
Counsel of Record
LAW OFFICE OF
AARON M. PANNER, PLLC
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7921
(apanner@pannerlaw.com)

GREGORY G. RAPAWY
KELLOGG, HUBER, HANSEN,
TODD, EVANS & FIGEL,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900

(Additional Counsel Listed On Inside Cover)

WENDY MCGUIRE COATS
MCGUIRE COATS LLP
3527 Mt. Diablo Blvd. #281
Lafayette, CA 94549
(925) 297-6415

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 Shammass 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

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

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

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-

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-

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

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.metrocorp.counsel.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.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

WILLIAM C. STEFFIN
ARMIN AZOD
BERLINER STEFFIN
AZOD LLP
1801 Century Park East
24th Floor
Century City, CA 90067
(310) 734-8442

JOHN N. JENNISON
JENNISON & SHULTZ, P.C.
2001 Jefferson Davis Hwy.
Suite 1102
Arlington, VA 22202
(703) 415-1640

WENDY MCGUIRE COATS
MCGUIRE COATS LLP
3527 Mt. Diablo Blvd. #281
Lafayette, CA 94549
(925) 297-6415

AARON M. PANNER
Counsel of Record
LAW OFFICE OF
AARON M. PANNER, PLLC
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7921
(apanner@pannerlaw.com)

GREGORY G. RAPAWY
KELLOGG, HUBER, HANSEN,
TODD, EVANS & FIGEL,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900

October 29, 2015

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UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 14-1191

MILO SHAMMAS,
Plaintiff-Appellant,

v.

MARGARET A. FOCARINO, COMMISSIONER OF PATENTS,
Defendant-Appellee,

AND

DAVID KAPPOS, DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE;
TERESA STANEK REA, ACTING DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE,
Defendants.

INTERNATIONAL TRADEMARK ASSOCIATION,
Amicus Supporting Appellant.

[Argued Dec. 10, 2014
Decided April 23, 2015]

Before WILKINSON, NIEMEYER, and KING,
Circuit Judges.

Opinion

Affirmed by published opinion. Judge NIEMEYER wrote the majority opinion, in which Judge WILKINSON joined. Judge KING wrote a dissenting opinion.

NIEMEYER, Circuit Judge:

The Lanham Act, 15 U.S.C. §§ 1051-1141n, provides that a dissatisfied trademark applicant may seek review of an adverse ruling on his trademark application either by appealing the ruling to the Court of Appeals for the Federal Circuit, *id.* § 1071(a)(1), or by commencing a de novo action in a federal district court, *id.* § 1071(b)(1). If he elects to proceed in a district court and no adverse party opposed his application before the Patent and Trademark Office (“PTO”), the applicant must name the Director of the PTO as a defendant and pay “*all the expenses of the proceeding,*” *whether he succeeds in the action or not*, unless the expenses are unreasonable. *Id.* § 1071(b)(3) (emphasis added).

In this case, Milo Shammas, a dissatisfied applicant in an ex parte trademark proceeding, elected to commence a de novo action in the district court. At the end of the proceeding, the Director of the PTO sought “all the expenses of the proceeding” from Shammas, including salary expenses of the PTO attorneys and a paralegal who were required to defend the Director. The district court granted the Director’s request and ordered Shammas to pay the PTO a total of \$36,320.49 in expenses.

On appeal, Shammas argues that the district court erred in “shifting” the PTO’s attorneys fees to him, contrary to the “American Rule” under which each party bears his own attorneys fees, because the governing statute does not expressly provide for the shifting of attorneys fees.

We reject this argument and affirm, concluding that the imposition of all expenses on a plaintiff in an ex parte proceeding, *regardless of whether he wins or loses*, does not constitute fee-shifting that implicates

the American Rule but rather an unconditional compensatory charge imposed on a dissatisfied applicant who elects to engage the PTO in a district court proceeding. And we conclude that this compensatory charge encompasses the PTO's salary expenses for the attorneys and paralegals who represent the Director.

I

In June 2009, Shammas filed a federal trademark application for the mark "PROBIOTIC" for use in connection with fertilizer products manufactured by his company, Dr. Earth, Inc. In an *ex parte* proceeding, a trademark examining attorney for the PTO denied Shammas' application on the ground that the term was generic and descriptive. The Trademark Trial and Appeal Board affirmed.

Rather than appeal the adverse ruling to the Federal Circuit, as allowed by 15 U.S.C. § 1071(a)(1), Shammas elected to commence this *de novo* civil action against the PTO in the district court, pursuant to § 1071(b)(1). The district court granted the PTO's motion for summary judgment by order dated October 15, 2013, holding that Shammas had failed to cast doubt on the finding that "PROBIOTIC" was a generic term.

At the conclusion of the proceeding, the PTO filed a motion, pursuant to § 1071(b)(3), for reimbursement of \$36,320.49 in expenses that it had incurred in the proceeding, including the prorated salaries of two attorneys, in the amount of \$32,836.27, and one paralegal, in the amount of \$3,090.32. The PTO calculated these sums by dividing the employees' annual salaries by 2,000 hours and multiplying the results by the number of hours expended by the employees in defending the action, a total of 518

hours in this case. The PTO also claimed \$393.90 for photocopying expenses.

Shammas opposed the motion, arguing that the PTO was in essence seeking attorneys fees and that § 1071(b)(3) did not, in authorizing the recovery of all expenses of the proceeding, *explicitly* provide for the shifting of attorneys fees as, he argued, would be required to overcome the American Rule.

Following a hearing, the district court granted the PTO's motion in its entirety. It reasoned:

[T]he plain meaning of the term “expenses,” by itself, would clearly seem to include attorney’s fees. But if any doubt remains about that inclusion, it is removed by Congress’s addition of the word “all” to clarify the breadth of the term “expenses.” When the word “expenses” is prefaced with the word “all,” it is pellucidly clear Congress intended that the plaintiff in such an action pay for all the resources expended by the PTO during the litigation, including attorney’s fees.

Shammas v. Focarino, 990 F. Supp. 2d 587, 591-92 (E.D. Va. 2014).

From the district court’s order, dated January 3, 2014, Shammas filed this appeal, challenging the district court’s authority to award attorneys fees and paralegals fees under § 1071(b)(3).

II

Section 1071(b)(3) provides in relevant part, “In any case where there is no adverse party, . . . 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.”

While Shammas acknowledges that “expenses” is a sufficiently broad term that, “in ordinary parlance,” includes attorneys fees, he argues that in the context of the American Rule—i.e., that “the prevailing party may not recover attorneys’ fees as costs or otherwise,” *Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 245, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975)—the statute is not sufficiently clear to reverse the presumption created by that Rule. He argues that “a district court may not read a federal statute to authorize attorney-fee-shifting unless the statute makes Congress’s intention clear by *expressly* referring to attorney’s fees.” (Emphasis added).

We agree with Shammas that, in ordinary parlance, “expenses” is sufficiently broad to include attorneys fees and paralegals fees. See *American Heritage Dictionary* 624 (5th ed. 2011) (defining expense as “[s]omething spent to attain a goal or accomplish a purpose,” such as “an expense of time and energy on [a] project”); *Black’s Law Dictionary* 698 (10th ed. 2014) (defining expense as “[a]n expenditure of money, time, labor, or resources to accomplish a result”); accord *U.S. ex rel. Smith v. Gilbert Realty Co.*, 34 F. Supp. 2d 527, 529-30 (E.D. Mich. 1998) (noting that “a legal fee would certainly seem to be” an “expense[] which a person incurs in bringing an action” under the plain meaning of that phrase). Moreover, in this statute, Congress modified the term “expenses” with the term “all,” clearly indicating that the common meaning of the term “expenses” should not be limited. And even though the PTO’s attorneys in this case were salaried, we conclude that the PTO nonetheless 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. See *Wisconsin v. Hotline Indus., Inc.*, 236 F.3d 363, 365 (7th Cir. 2000) (“[S]alaried government lawyers . . . *do incur expenses* if the time and resources they devote to one case are not available for other work” (emphasis added)).

Shammas' argument in this case depends on the assumption that if § 1071(b)(3) were to be construed to include attorneys fees, it would constitute a fee-shifting statute that would need to refer explicitly to attorneys fees in order to overcome the presumption of the American Rule. This assumption, however, is misplaced under the circumstances of this case.

To be sure, where the American Rule applies, Congress may displace it only by expressing its intent to do so “clearly and directly.” *In re Crescent City Estates*, 588 F.3d 822, 825 (4th Cir. 2009). But the American Rule provides only that “*the prevailing party may not recover attorneys’ fees from the losing party.*” *Alyeska Pipeline*, 421 U.S. at 245, 95 S.Ct. 1612 (emphasis added); see also, e.g., *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep’t of Health & Human Res.*, 532 U.S. 598, 602, 121 S.Ct. 1835, 149 L.Ed.2d 855 (2001) (“[T]he prevailing party is not entitled to collect [attorneys fees] from the loser”); *E. Associated Coal Corp. v. Fed. Mine Safety & Health Review Comm’n*, 813 F.2d 639, 643 (4th Cir. 1987) (similar). The requirement that Congress speak with heightened clarity to overcome the presumption of the American Rule thus applies only where the award of attorneys fees turns on whether a party seeking fees has prevailed to at least some degree. As the Supreme Court has explained,

[W]hen Congress has chosen to depart from the American Rule by statute, virtually every one of

the more than 150 existing federal fee-shifting provisions *predicates fee awards on some success by the claimant*; while these statutes contain varying standards as to the precise degree of success necessary for an award of fees[,] . . . the *consistent rule is that complete failure will not justify shifting fees*

Ruckelshaus v. Sierra Club, 463 U.S. 680, 684, 103 S.Ct. 3274, 77 L.Ed.2d 938 (1983) (emphasis added); *see also W. Va. Highlands Conservancy, Inc. v. Norton*, 343 F.3d 239, 244 (4th Cir. 2003) (requiring some degree of success, even though the statute authorized courts to award fees whenever they deemed it appropriate). Thus, a statute that mandates the payment of attorneys fees without regard to a party's success is not a fee-shifting statute that operates against the backdrop of the American Rule.

With that understanding of the American Rule, it becomes clear that § 1071(b)(3) is not a fee-shifting statute that purports to rebut the presumption of the Rule. Rather than imposing expenses based on whether the PTO prevails, § 1071(b)(3) imposes the expenses of the proceeding on the ex parte plaintiff, "*whether the final decision is in favor of such party or not.*" (Emphasis added). Thus, even if Shammass had prevailed in the district court, he still would have had to pay all of the PTO's expenses. Because the PTO is entitled to recover its expenses even when it completely fails, § 1071(b)(3) need not be interpreted against the backdrop of the American Rule. Therefore, even assuming that a statute must explicitly provide for the shifting of attorneys fees to overcome the presumption of the American Rule, that requirement is not applicable here.

Since § 1071(b)(3) does not implicate the presumption of the American Rule, Shammas' argument that the term "expenses" must explicitly include attorneys fees fails, and we are therefore left with giving the phrase "all the expenses of the proceeding" its ordinary meaning without regard to the American Rule. Construing the plain language of § 1071(b)(3), we conclude that an ex parte litigant who elects to initiate a de novo proceeding in the district court must pay all reasonable expenses of the proceeding, including attorneys fees, whether he wins or loses.

As an alternative argument, Shammas contends that "expenses of the proceeding," taken in context, should "most naturally [be] read as synonymous with 'costs of the proceeding'—that is, taxable costs"—and that the term "taxable costs" is a legal term of art that does not include attorneys fees. He provides no explanation, however, for why we should replace the statutory words "all the expenses" with the words "taxable costs."

Moreover, we rejected this argument in the context of nearly identical statutory language requiring a dissatisfied patent applicant who opts to challenge the denial of his patent application in an ex parte proceeding in a district court to pay "all the expenses of the proceeding." See *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931) (permitting recovery of a government attorney's expenses associated with attending a deposition). In *Robertson*, we reversed the district court's holding that "the word 'expenses' in the statute practically meant 'costs,'" concluding instead that "[t]he evident intention of Congress in the use of the word 'expenses' was to include more than that which is ordinarily included in the word 'costs.'" *Id.*; see also *Taniguchi v. Kan Pac. Saipan*,

Ltd., — U.S. —, 132 S.Ct. 1997, 2006, 182 L.Ed.2d 903 (2012) (“Taxable costs are limited to relatively minor, incidental expenses. . . . Taxable costs are a fraction of the nontaxable expenses borne by litigants for attorneys, experts, consultants, and investigators.”); *Arlington Cent. Sch. Dist. Bd. of Educ. v. Murphy*, 548 U.S. 291, 297, 126 S.Ct. 2455, 165 L.Ed.2d 526 (2006) (“The use of [‘costs’], rather than a term such as ‘expenses,’ strongly suggests that [20 U.S.C.] § 1415(i)(3)(B) was not meant to be an open-ended provision that makes participating States liable for all expenses incurred”).

Apart from the linguistic distinction between expenses and costs, the use of both terms in § 1071(b)(3) also suggests that they were not intended to be read synonymously. In the sentence immediately following the “all the expenses” language, § 1071(b)(3) provides that the administrative record “shall be admitted on motion of any party, upon such terms and conditions as to *costs*, *expenses*, and the further cross-examination of the witnesses as the court imposes.” (Emphasis added). In light of the “‘cardinal principle of statutory construction’ that ‘a statute ought, upon the whole, to be so construed that . . . no clause, sentence, or word shall be superfluous,’” *TRW Inc. v. Andrews*, 534 U.S. 19, 31, 122 S.Ct. 441, 151 L.Ed.2d 339 (2001) (quoting *Duncan v. Walker*, 533 U.S. 167, 174, 121 S.Ct. 2120, 150 L.Ed.2d 251 (2001)), and the “normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning,” *Sullivan v. Stroop*, 496 U.S. 478, 484, 110 S.Ct. 2499, 110 L.Ed.2d 438 (1990) (quoting *Sorenson v. Sec’y of Treasury*, 475 U.S. 851, 860, 106 S.Ct. 1600, 89 L.Ed.2d 855 (1986)) (internal quotation marks

omitted), we conclude that Congress did not intend for “expenses” to be interchangeable and coextensive with “costs.”

III

Our reading that § 1071(b)(3) imposes a unilateral, compensatory fee, including attorneys fees, on every ex parte applicant who elects to engage the resources of the PTO when pursuing a de novo action in the district court, whether the applicant wins or loses, is confirmed by the Lanham Act’s structure and legislative history.

A

Under the statutory scheme, a trademark applicant may appeal a trademark examiner’s final decision denying registration of a mark to the Trademark Trial and Appeal Board. *See* 15 U.S.C. § 1070. Thereafter, a dissatisfied applicant is given two choices for proceeding further. He can appeal the decision directly to the Federal Circuit, pursuant to § 1071(a)(1), or he can commence a de novo civil action in a federal district court, pursuant to § 1071(b)(1). Should he choose the former, the appeal is taken “on the record” before the PTO, *id.* § 1071(a)(4), and the court will uphold the PTO’s factual findings unless they are “unsupported by substantial evidence,” *see, e.g., Recot, Inc. v. Becton*, 214 F.3d 1322, 1327 (Fed. Cir. 2000). Should he choose instead to commence an action in a district court, not only is the record of the PTO admissible into evidence on the motion of either party, but the parties may also conduct discovery and submit further testimony and other new evidence. § 1071(b)(3); *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014). The district court reviews all the evidence de novo and acts as the trier of fact. *See*

Swatch, 739 F.3d at 155. Moreover, collateral issues, such as claims for infringement and unfair competition, may be presented and decided as authorized by the Federal Rules of Civil Procedure. *Id.*

De novo civil actions under § 1071(b)(1) thus contemplate a more fulsome and expensive procedure. Since the statute requires an ex parte applicant to name the PTO as a party defendant to such a proceeding, the PTO is required to expend substantially greater time and effort and incur substantially greater expense than it would otherwise in an appeal to the Federal Circuit. By requiring the dissatisfied applicant to pay “all the expenses of the proceeding,” whether the applicant wins or loses, Congress obviously intended to reduce the financial burden on the PTO in defending such a proceeding. In light of this purpose, it makes good sense to construe “expenses” to include attorneys fees and paralegals fees because the time that PTO employees spend in defending the Director will constitute the majority of the PTO’s expenses in such a proceeding—in this case, over 98% of its expenses. Of course, if the dissatisfied applicant does not wish to pay the expenses of a de novo civil action, he may appeal the adverse decision of the PTO to the Federal Circuit.

Shammas argues that because defending decisions in federal court “is part of the ordinary duty of any administrative agency,” awarding personnel expenses to the PTO would “impose a burden unlike anything else in the law.” But this argument fails to recognize that agencies tasked with defending their actions in federal court are ordinarily able to limit the record in court to the agency record and to have their fact-finding reviewed deferentially. *See, e.g., Corey v. Sec’y, U.S. Dep’t of Housing & Urban Dev. ex rel.*

Walker, 719 F.3d 322, 325 (4th Cir. 2013) (“Pursuant to the Administrative Procedures Act, ‘federal courts can overturn an administrative agency’s decision . . . if it is arbitrary, capricious, an abuse of discretion, . . . otherwise not in accordance with the law, or unsupported by substantial evidence’” (omissions in original) (quoting *Knox v. U.S. Dep’t of Labor*, 434 F.3d 721, 723 (4th Cir. 2006))); *Trinity Am. Corp. v. U.S. Envtl. Prot. Agency*, 150 F.3d 389, 401 n.4 (4th Cir. 1998) (“Review of agency action is limited to the administrative record before the agency when it makes its decision”). To be sure, it is relatively rare for statutes to allow aggrieved persons to choose between parallel proceedings to challenge agency action. *But see* 26 U.S.C. §§ 6213-6214, 7422 (granting aggrieved taxpayers a similar choice of forum). But regardless of its obscurity, § 1071(b)(3) plainly incentivizes trademark applicants to appeal routine trademark denials to the Federal Circuit. *Cf. Hyatt v. Kappos*, 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc) (noting that “Congress imposed on the applicant the heavy economic burden of paying ‘[a]ll the expenses of the proceedings’ regardless of the outcome” under the parallel patent provision in order to deter applicants from “procedural gaming” (alteration in original)), *aff’d and remanded*, — U.S. —, 132 S.Ct. 1690, 182 L.Ed.2d 704 (2012).

B

Our reading of § 1071(b)(3) is further supported by the statute’s legislative history, which indicates that § 1071(b)(3) was intended as a straightforward funding provision, designed to relieve the PTO of the financial burden that results from an applicant’s election to pursue the more expensive district court litigation. The “all the expenses” provision for trade-

mark cases was adopted from a parallel provision in Title 35 (addressing patents), which in turn is rooted in an 1839 amendment to the Patent Act of 1836 (the “1836 Act”). The 1836 Act established “*a fund for the payment of the salaries of the officers and clerks herein provided for, and all other expenses of the Patent Office.*” Act of July 4, 1836, ch. 357, § 9, 5 Stat. 117, 121 (emphasis added). Thus, in funding the Patent Office in 1836, Congress understood the term “expenses” to include the salaries of the Office’s employees. In addition, the 1836 Act distinguished “expenses” from “costs,” a term that the Act used in a manner consistent with the traditional understanding of court costs, as indicated by a provision that permitted courts in patent infringement actions “to adjudge and award *as to costs* as may appear to be just and equitable.” *Id.* § 15, 5 Stat. at 123 (emphasis added). With these understandings of the relevant terms, Congress amended the 1836 Act in 1839 to provide that “in all cases where there is no opposing party, a copy of the bill shall be served upon the Commissioner of Patents, when *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.” Act of March 3, 1839, ch. 88, § 10, 5 Stat. 353, 354 (emphasis added). It is therefore reasonable to conclude that “the whole of the expenses of the proceeding” included the Patent Office’s salaries and did not refer only to court costs.

With the passage of the Lanham Act in 1946, Congress “incorporate[d] by reference” the procedures for appellate review of patent application denials in trademark proceedings. S. Rep. No. 87-2107, at 7 (1962), *reprinted in* 1962 U.S.C.C.A.N. 2844, 2850; *see also* Lanham Act, ch. 540, § 21, 60 Stat. 427,

435 (1946) (codified as amended at 15 U.S.C. § 1071(b)(3)) (“Any applicant for registration of a mark . . . who is dissatisfied with the decision of the Commissioner may appeal to the United States Court of Customs and Patent Appeals or may proceed under section 4915, Revised Statutes, as in the case of applicants for patents, under the same conditions, rules, and procedure[s] as are prescribed in the case of patent appeals or proceedings so far as they are applicable . . .”). In 1962, Congress eliminated the cross-reference to Title 35 and, in its place, added to the Lanham Act language substantially similar to the language pertaining to the procedures for review of patent denials and to the payment of the PTO’s associated expenses. *See* S. Rep. No. 87-2107, at 7 (explaining that the amendment “incorporate[d], with necessary changes in language, the various provisions of title 35 relating to such appeals and review”). Subsequent changes to § 1071(b)(3) have been mainly cosmetic and have not altered Congress’ continued intent as to the payment of “all the expenses.”

Thus, Congress’ original understanding of “expenses” with respect to the 1836 Patent Act and the 1839 amendments provides substantial support for our interpretation of “expenses” as used in § 1071(b)(3).

IV

At bottom, we conclude that § 1071(b)(3) requires a dissatisfied *ex parte* trademark applicant who chooses to file an action in a district court challenging the final decision of the PTO, to pay, as “all the expenses of the proceeding,” the salaries of the PTO’s attorneys and paralegals attributed to the defense of

the action. Accordingly, we affirm the judgment of the district court.

AFFIRMED

KING, Circuit Judge, dissenting:

The Lanham Act provision at issue here, 15 U.S.C. § 1071(b)(3), makes no reference to attorney’s fees awards and does not reflect a Congressional intention to authorize such awards. Nevertheless, the panel majority affirms the district court’s attorney’s fees award to the PTO under § 1071(b)(3), in contravention of the American Rule. As Justice White explained for the Supreme Court in 1975, the American Rule “is deeply rooted in our history and in congressional policy; and it is not for us to invade the legislature’s province by redistributing litigation costs.” *See Alyeska Pipeline Serv. Co. v. Wilderness Soc’y*, 421 U.S. 240, 271, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975). Because the American Rule applies and the PTO should bear its own attorney’s fees, I respectfully dissent.

A.

Our judiciary strongly disfavors awards of attorney’s fees that are authorized solely by the courts—a well-settled tradition dating almost to our Nation’s founding. *See Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306, 306, 1 L.Ed. 613 (1796) (“The general practice of the United States [courts] is in opposition to [attorney’s fees awards]; and even if that practice were not strictly correct in principle, it is entitled to the respect of the court.”). In recognition of the “power and judgment” of Congress, the federal courts defer to the legislative branch to determine if a “statutory policy [authorizing such awards] is deemed so impor-

tant that its enforcement must be encouraged.” See *Alyeska*, 421 U.S. at 263-64, 95 S.Ct. 1612. Thus, as we recently emphasized, absent “explicit statutory authority,” the courts presume that the litigants will “bear their own legal costs, win or lose.” See *In re Crescent City Estates, LLC v. Draper*, 588 F.3d 822, 825 (4th Cir. 2009). That principle—commonly known as the American Rule—should be recognized and applied here.¹

The only issue we must resolve today is whether 15 U.S.C. § 1071(b)(3) “clearly and directly” provides for attorney’s fees awards. See *Crescent City*, 588 F.3d at 825. For at least three compelling reasons, the statute fails to authorize such awards. First, the words “attorney’s fees” are not found in § 1071(b)(3). Second, the statute otherwise provides no “clear support” for awards of such fees. See *Unbelievable, Inc. v. N.L.R.B.*, 118 F.3d 795, 801 (D.C. Cir. 1997) (explaining that a court may not “infer a congressional intent to override the presumption that the American Rule erects against the award of attorney’s fees without ‘clear support’ either on the face or in the legislative history of the statute”). Third, the background and history of § 1071(b)(3) fail to show that Congress intended to authorize such fee awards. See *id.* Accordingly, § 1071(b)(3) cannot overcome the presumption against fee awards embodied in the American Rule, and the district court’s award of attorney’s fees should be vacated.

¹ The American Rule is the antithesis of the rule utilized in England, whereby successful litigants are entitled to recover their attorney’s fees from the losing parties. See *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 684, 103 S.Ct. 3274, 77 L.Ed.2d 938 (1983).

1.

As an initial matter, Congress failed to use any language in § 1071(b)(3) of Title 15 that authorizes attorney’s fees awards. Indeed, the term “attorney’s fees” is absent from § 1071(b)(3). Of great importance, however, Congress has exercised its “explicit statutory authority” to authorize attorney’s fees awards in at least five other provisions of Chapter 22 (Trademarks) of Title 15:

- 15 U.S.C. § 1114(2)(D)(iv) (imposing liability on party making material misrepresentations “for any damages, including costs and attorney’s fees”);
- 15 U.S.C. § 1116(d)(11) (authorizing, in action for wrongful seizure of goods or marks, award of “reasonable attorney’s fee”);
- 15 U.S.C. § 1117(a) (authorizing, in “exceptional cases,” awards of “reasonable attorney fees” to prevailing parties);
- 15 U.S.C. § 1117(b) (authorizing recovery of “reasonable attorney’s fee” in counterfeit mark litigation); and
- 15 U.S.C. § 1122(c) (specifying remedies of prevailing party as including “actual damages, profits, costs and attorney’s fees”).

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.” *See Clay v. United States*, 537 U.S. 522, 528, 123 S.Ct. 1072, 155 L.Ed.2d 88 (2003) (internal quotation marks omitted).

Furthermore, Congress has consistently shown that it knows how to draft a statute that authorizes attorney’s fees awards. *See, e.g., Stephens ex rel. R.E. v. Astrue*, 565 F.3d 131, 138 (4th Cir. 2009). For example, Congress has on multiple occasions authorized such fee awards, independently of expenses and costs:

- 11 U.S.C. § 363(n) (authorizing trustee to recover “any costs, attorneys’ fees, or expenses incurred”);
- 12 U.S.C. § 1464(d)(1)(B)(vii) (requiring federal savings associations to pay “reasonable expenses and attorneys’ fees” in enforcement actions);
- 26 U.S.C. § 6673(a)(2)(A) (requiring lawyers who cause excessive costs to pay “excess costs, expenses, and attorneys’ fees”); and
- 31 U.S.C. § 3730(d)(4) (authorizing “reasonable attorneys’ fees and expenses” to prevailing defendant in false claims suit).

On occasion, Congress has explicitly authorized a party to recover attorney’s fees as part of expenses. *See* 12 U.S.C. § 5009(a)(1)(B) (holding party at fault liable for “interest and expenses (including costs and reasonable attorney’s fees and other expenses of representation)”); Fed. R. Civ. P. 37(a)(5)(A) (requiring party at fault to pay “reasonable expenses . . . including attorney’s fees”). And, consistent with the American Rule, Congress excluded attorney’s fees from the costs that are generally recoverable by prevailing parties in federal civil proceedings. *See* Fed. R. Civ. P. 54(d)(1) (“[C]osts—other than attorney’s fees—should be allowed to the prevailing party.”). The clear message of the foregoing is simple: if Congress had intended to authorize attorney’s fees awards to the PTO under § 1071(b)(3), it would have

said so. Because subsection (b)(3) does not mention attorney’s fees, we have no right to judicially conjure up such a provision.

2.

Next, the plain terms of § 1071(b)(3) fail to show that Congress desired to provide for attorney’s fees awards. Although “expenses” under § 1071(b)(3) is not defined, in its dictionary form the term “expenses” is generally synonymous with the word “costs.” See *Black’s Law Dictionary* 345, 577 (6th ed. 1990) (equating “cost” to expense and “expense” to cost); *Merriam Webster’s Collegiate Dictionary* 282, 440 (11th ed. 2004) (defining “costs” as “expenses incurred in litigation,” and “expense” as “cost”); *Oxford Dictionary of English* 615 (3d ed. 2010) (defining “expense” as “the cost incurred in or required for something”).² Because Congress declined to add any language to § 1071(b)(3) to define the term “expenses,” its omission must be deemed intentional.

3.

In view of the foregoing principles, the PTO’s claim that it is entitled to recover its attorney’s fees can only succeed “if an examination of the relevant legislative history demonstrates that Congress intended

² Our Court has agreed that Congress could intend the phrase “all the expenses of the proceeding” to mean “more than that which is ordinarily included in the word ‘costs.’” *Robertson v. Cooper*, 46 F.2d 766, 769 (4th Cir. 1931). In the context of the trademark statutes, however, the term “expenses” does not include “attorney’s fees,” in that such fees are explicitly referenced when authorized. See 15 U.S.C. §§ 1114(2)(D)(iv), 1116(d)(11), 1117(a), 1117(b), and 1122(c); see also S. Rep. No. 93-1400, at 2 (1974), reprinted in 1974 U.S.C.C.A.N. 7132, 7133 (explaining, in support of amendment to Lanham Act, that “[e]xisting law since 1967 is that attorney fees are recoverable only in the presence of express statutory authority”).

to give a broader than normal scope” to the phrase “all the expenses of the proceeding,” in § 1071(b)(3). *See Summit Valley Indus. Inc. v. Local 112*, 456 U.S. 717, 723, 102 S.Ct. 2112, 72 L.Ed.2d 511 (1982). The statute’s legislative history, however, fails to indicate that Congress intended to authorize attorney’s fees awards.³ As heretofore explained—and with repetition sometimes being healthy—Congress knows how to provide for awards of attorney’s fees when it wants to do so.

The absence of supportive legislative history regarding the recovery of attorney’s fees under § 1071(b)(3) is telling, particularly in light of the Supreme Court’s 1975 decision in *Alyeska*. Congress responded to *Alyeska*, as the Court recognized in 1987, by “*broadening* the availability of attorney’s fees in the federal courts.” *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 444, 107 S.Ct. 2494, 96 L.Ed.2d 385 (1987) (emphasis added). In the wake of *Alyeska*, Congress could readily have amended § 1071(b)(3) to broaden or explain the phrase “all the expenses of the proceeding.” The only substantive amendment made by Congress, however, actually *narrowed* the scope of subsection (b)(3). *See Trademark Law Revision Act of 1988*, Pub. L. No. 100-667, § 120, 102 Stat. 3935, 3942 (barring court

³ In 1836, Congress established a new fund for the Patent Office—financed by the application fees of patent applicants—which it designated for the “salaries of the officers and clerks . . . and all other expenses” of the Office. *See Patent Act of 1836*, ch. 357, § 9, 5 Stat. 117, 121. The majority suggests that, in the 1836 Act, “Congress understood the term ‘expenses’ to include the salaries of the Office’s employees,” including the salaries of its attorneys. *See Ante* at [12a-13a]. The 1836 enactment shows, however, that when Congress intended to authorize attorney’s fees as a subset of “all . . . expenses,” it so provided.

from awarding “unreasonable” expenses).⁴ Accordingly, the legislative history of § 1071(b)(3) is insufficient to overcome the American Rule’s presumption against fee shifting, and the majority’s decision is erroneous.

B.

There is no reason for our Court to disregard the American Rule in this case. Indeed, a primary justification for the Rule is that a party “‘should not be *penalized* for merely . . . prosecuting a lawsuit.” *Summit Valley*, 456 U.S. at 724, 102 S.Ct. 2112 (quoting *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718, 87 S.Ct. 1404, 18 L.Ed.2d 475 (1967) (explaining that “the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponents’ counsel”)). By requiring Shammas to pay “all the expenses of the proceeding,” my friends in the majority simply penalize him for seeking vindication of his trademark rights. In that circumstance, § 1071(b)(3) should not escape application of the American Rule.

Under today’s ruling, the PTO will collect its attorney’s fees even if Shammas prevails on the merits. Such a result flies in the face of the American Rule and must therefore overcome the Rule’s presumption against fee shifting. As the Supreme Court has recognized, “intuitive notions of fairness” caution against requiring the litigant to pay the loser’s attorney’s fees absent “a *clear showing* that this result

⁴ Shammas contends here—and the PTO does not dispute—that, prior to 2013, the PTO had never sought an attorney’s fee award under the patent and trademark laws. If such awards had been generally available, the PTO’s silence in the face of such authority is more than passing strange.

was intended” by Congress. See *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 685, 103 S.Ct. 3274, 77 L.Ed.2d 938 (1983) (emphasis added).

C.

Absent explicit statutory language authorizing attorney’s fees awards, the courts can only speculate on whether the phrase “all the expenses of the proceeding” includes the PTO’s attorney’s fees. Against the backdrop of the American Rule, however, the courts are not entitled to make educated guesses. In these circumstances, the American Rule precludes the PTO from recovering such fees under § 1071(b)(3). Because I would vacate the attorney’s fees award that was made to the PTO, I respectfully dissent.

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

Case No. 1:12-cv-1462

MILO SHAMMAS,
Plaintiff,

v.

MARGARET A. FOCARINO, COMMISSIONER OF PATENTS,
Defendant.

[Filed Jan. 3, 2014]

MEMORANDUM OPINION

T.S. ELLIS, III, District Judge.

At issue post-judgment in this 15 U.S.C. § 1071(b) action seeking review of a decision from the Patent and Trademark Office's ("PTO") Trademark Trial and Appeal Board ("TTAB") are the following two questions:

- (1) whether the requirement in 15 U.S.C. § 1071(b)(3) that plaintiff must pay the PTO "all expenses of the proceeding" includes the salaries of the PTO attorneys and paralegals who worked on the case; and
- (2) whether the PTO's claim for \$11,436.15 for the effort expended by the PTO's counsel in moving to strike supplemental new evidence filed by plaintiff in contravention of a discovery order is a "reason-

able attorney's fee" under Rule 37(b)(2)(C), Fed. R. Civ. P.

For the reasons that follow,

(1) "all expenses of the proceedings" under 15 U.S.C. § 1071(b)(3) includes \$35,926.59 in attorney and paralegal salaries and \$393.90 in photocopying expenses and thus, plaintiff is required to pay these expenses to the PTO, and

(2) the PTO's request for \$11,436.15 in attorney's fees under Rule 37(b)(2)(C), Fed. R. Civ. P., representing the attorney effort in moving to strike the new evidence, is excessive and unreasonable in the circumstances; a reasonable attorney's fee award under the circumstances is \$2,280.00.

I.

On December 19, 2012, plaintiff, Milo Shammas, filed a complaint in this district pursuant to 15 U.S.C. § 1071(b)(1) seeking review of the TTAB's decision denying federal trademark registration to the proposed mark, PROBIOTIC, with respect to fertilizers. The TTAB had previously concluded that the term PROBIOTIC was generic with respect to fertilizers, and alternatively, that the term was descriptive, but lacked secondary meaning and hence did not warrant registration as a trademark.

Because plaintiff brought the case under 15 U.S.C. § 1071(b)(1), which allows a dissatisfied applicant denied trademark registration by the TTAB to file an action in a district court seeking review of the TTAB's decision, both parties were permitted by this statute to submit new evidence in addition to the administrative record.¹ Both parties did so in

¹ Section 1071(b)(1) provides, in pertinent part, as follows: "Whenever a person authorized . . . to appeal to the United

compliance with a scheduling and discovery order entered on March 5, 2013 that required, in part, as follows:

(1) both parties to exchange initial disclosures, as required by Rule 26(a)(1), Fed. R. Civ. P., by March 29, 2013;

(2) discovery to be completed by June 14, 2013;

(3) plaintiff to serve on the PTO any new evidence, including non-expert declarations or expert reports, upon which plaintiff intended to rely, by April 12, 2013;

(4) the PTO to serve on plaintiff any new evidence on which the PTO intended to rely by May 17, 2013; and

(5) plaintiff to serve on the PTO any rebuttal expert report upon which plaintiff intended to rely by May 31, 2013.

Shammas v. Rea, Case No. 1:12cv1462 (E.D. Va. March 5, 2013) (Order). Thus, the discovery order clearly required the record on new evidence to be completed by mid-May.

In compliance with the discovery order, the parties submitted their new evidence to the record on the prescribed dates. The discovery order permitted no further new evidence submissions. Yet, when summary judgment was filed thereafter on August 9, 2013, plaintiff, without leave of court, sought to add additional new evidence to the record. Because this attempt to submit additional new evidence contra-

States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the . . . [TTAB], said person may . . . have remedy by a civil action,” and the district court “may adjudge that an applicant is entitled to a registration upon the application involved . . . as the facts in the case may appear.”

vened the discovery order, the PTO promptly filed a motion and supporting memorandum to strike this late-filed new evidence. By order dated October 15, 2013, the PTO's motion to strike this tardy new evidence was granted, and the evidence was stricken as a sanction under Rule 37, Fed. R. Civ. P., which provides that a court "may sanction a party who fails to obey an order to provide or permit discovery by prohibiting that party from introducing late-filed matters into evidence." *Shammas v. Rea*, Case No. 1:12cv1462, 978 F. Supp. 2d 599, 2013 WL 5672404 (E.D. Va. Oct. 15, 2013) (Order) (quoting Fed. R. Civ. P. 37(b)(2)(A)(ii)).

By separate order of the same date, summary judgment in favor of the PTO was granted on the ground that substantial evidence supported the TTAB's finding that the term PROBIOTIC was generic and that plaintiff's new evidence, reviewed de novo, did not alter that conclusion. Following the entry of judgment to this effect, the PTO filed a motion for fees and expenses, seeking the following:

- (1) expenses of the case under 15 U.S.C. § 1071(b)(3), which provides that, in an action appealing a decision of the TTAB to a federal district court, "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;" and
- (2) reasonable attorney's fees for the costs of the motion to strike under Rule 37(b)(2)(C), Fed. R. Civ. P.

By way of a response, plaintiff appropriately and sensibly apologized for this late proffer of new evidence and the resulting burden imposed on the PTO, and thus does not oppose a reasonable attorney's fees

award under Rule 37(b)(2)(C), Fed. R. Civ. P. Plaintiff does, however, oppose the PTO's entitlement to attorney's fees under § 1071(b)(3) on the ground that attorney's fees are not included in the statute's requirement that a plaintiff pay "all expenses of the proceeding." Accordingly, the questions presented are (1) whether "all expenses of the proceeding" in § 1071(b)(3) includes the PTO's attorney's fees; and (2) whether the PTO's request for \$11,436.15 in attorney's fees under Rule 37(b)(2)(C), Fed. R. Civ. P., is reasonable.

II.

A.

Section 1071(b)(3) clearly allows a party dissatisfied with a trademark decision of the TTAB to choose between appeal to the Court of Appeals for the Federal Circuit, or filing an action in district court. By itself, this does not seem remarkable. Yet, the statute goes on to provide that—win, lose, or draw—the party bringing an action in district court must pay the PTO "all expenses of the proceeding."² The

² Section 1071 is arguably an odd statute. It provides unsuccessful trademark applicants with a choice between an appeal to the Court of Appeals for the Federal Circuit on the administrative record, or alternatively, an action in federal district court where the administrative record may be supplemented with new evidence. Congress's decision to allow this choice is odd for several reasons. First, it serves to lessen the trademark applicant's incentive to put her best evidentiary foot forward before the PTO given that if she fails before the PTO, she can supplement the record in the district court. Moreover, Congress no sooner provides this choice than it takes an energetic step to discourage its use by requiring the unsuccessful applicant who files the district court suit under § 1071(b) to pay all expenses of the district court proceeding, win, lose or draw. This could lead to an anomalous result where the applicant must pay the PTO's expenses of the district court proceeding even where the PTO

dispute here is whether the phrase “all expenses of the proceeding” includes the PTO’s attorney’s fees.

The question whether “all expenses of the proceeding” includes attorney’s fees appears to be one of first impression, as the parties have cited no published decision addressing this issue, nor has any been found. In any event, the question is not difficult to resolve; it is a straightforward case of statutory interpretation with the analysis beginning and ending with the plain language of the statute. In this regard, the ordinary definition of the term “expenses” answers the question presented.³ As Black’s Law Dictionary states, the term “expenses” means:

That which is expended, laid out, or consumed. An outlay; charge; cost; price. The expenditure of money, time, labor, resources, and thought. That which is expended to secure benefit or bring about a result.

Merriam-Webster defines the term “expenses” as:

The amount of money that is needed to pay for or to buy something. An amount of money that

loses in the district court on the administrative record alone and no new evidence is admitted or considered. In this circumstance, there is little reason to saddle the unsuccessful applicant with the PTO’s expenses. A second anomalous result is that the statute invites forum shopping. By allowing an action to be filed in a district court in lieu of an appeal to the Court of Appeals for the Federal Circuit, the statute invites an unsuccessful applicant to pick a district court in a favorable circuit because the appeal will be to the circuit in which the district court sits, not to the Court of Appeals to the Federal Circuit.

³ *Gross v. FBL Financial Services, Inc.*, 557 U.S. 167, 175, 129 S.Ct. 2343, 174 L.Ed.2d 119 (2009) (stating that statutory interpretation should focus on the text and “the language employed by Congress” because “the ordinary meaning of that language accurately expresses the legislative purpose”).

must be spent especially regularly to pay for something. Something on which money is spent. An act or instance of expending. Something expended to secure a benefit or bring about a result.

Thus, the plain meaning of the term “expenses,” by itself, would clearly seem to include attorney’s fees. But if any doubt remains about that inclusion, it is removed by Congress’s addition of the word “all” to clarify the breadth of the term “expenses.” When the word “expenses” is prefaced with the word “all,” it is pellucidly clear Congress intended that the plaintiff in such an action pay for all the resources expended by the PTO during the litigation, including attorney’s fees.

The conclusion compelled by the statute’s plain language finds firm support in the following statutes passed by Congress, all of which explicitly include “attorney’s fees” as a subset of “expenses:”

- 28 U.S.C. § 2412 (stating that “a court shall award to a prevailing party other than the United States fees and other expenses” and further stating that a judgment for costs does not include “the fees and expenses of attorneys”);
- 5 U.S.C. § 504 (“An agency that conducts an adversary adjudication shall award . . . fees and other expenses incurred by that party in connection with that proceeding.”);
- 12 U.S.C. § 4246 (stating that, in an action against a person committing bank fraud, “the court . . . may allow the United States reasonable attorney’s fees and other expenses of litigation”);

- 28 U.S.C. § 1447(c) (permitting recovery of “any actual expenses, including attorney’s fees, incurred”);
- 12 U.S.C. § 5009 (providing that any person who breaches a banking warranty in connection with a substitute check is liable for “reasonable attorney’s fees and other expenses of representation” related to the substitute check);
- 42 U.S.C. § 1490s (stating that a non-compliant party may be liable for a monetary judgment including “attorney’s fees and other expenses incurred by the United States in connection with the action”).
- Rule 37(b)(2)(C), Fed. R. Civ. P. (requiring the party who violates or disobeys a discovery order to pay “reasonable expenses, including attorney’s fees” caused by the failure to obey the order).

Similarly, other courts in a variety of contexts have also found attorney’s fees to be a subset of the term “expenses.” For example, the Supreme Court, in discussing fee-shifting statutes, stated that “[o]ur legal system generically requires each party to bear his own *litigation expenses, including attorney’s fees*, regardless of whether he wins or loses.” *Fox v. Vice*, — U.S. —, 131 S.Ct. 2205, 2213, 180 L.Ed.2d 45 (2011) (emphasis added). To the same effect, the district court in *United States ex rel. Smith v. Gilbert Realty Co.*, 34 F. Supp. 2d 527 (E.D. Mich. 1998), a False Claims Act case, concluded that Congress intended the term “expenses” to include attorney’s fees, based on the plain meaning of the term “expenses” and use of the term in various statutory contexts. In reaching this conclusion, the district court in *Gilbert Realty* also noted that it found no

authority to support the proposition that legal fees and expenses are mutually exclusive categories, as that court noted that “a legal fee would certainly seem to be an expense” incurred “in order to secure benefit or bring about a result.” *Id.* at 530.

Given that “all expenses of the proceeding” clearly includes attorney’s fees, it follows that the PTO’s claim for \$32,836.27 in attorney salaries, \$3,090.32 in paralegal salaries, and \$393.90 in photocopying expenses must be granted. In determining these amounts, the PTO used the actual salaries of the lawyers and paralegal instead of prevailing market rates to calculate a lodestar figure, because, as the PTO correctly notes, “consistent with the concept of ‘expenses’ . . . the USPTO only asks for reimbursement of the amounts that it *actually incurred* during the litigation of this civil action; *i.e.*, that portion of its attorneys’ salaries that were dedicated to this proceeding.” *Shammas v. Rea*, Case No. 1:12cv1462 at *15 (E.D. Va. Nov. 13, 2013) (Memorandum in Support of Motion for Fees and Expenses). Accordingly, rather than using the market rate method, the PTO multiplied the number of hours its attorneys and paralegal devoted to the case⁴ by the actual hourly rate of the attorneys and paralegal. Thus, the resulting product of the hours worked times the actual hourly rate—\$32,836.27—is the amount § 1071(b) requires plaintiff to pay the PTO.

⁴ To avoid double compensation, the PTO has excluded from the expenses it claims under § 1071(b) the hours worked by its attorneys on the motion to strike, for which the PTO seeks attorney’s fees under Rule 37, Fed. R. Civ. P.

B.

As noted previously, plaintiff does not dispute the PTO's entitlement to reasonable attorney's fees incurred in moving to strike late-filed new evidence submitted in contravention of the October 15, 2013 discovery order.⁵ Although plaintiff does not dispute the PTO's entitlement to reasonable attorney's fees, it seems clear nonetheless that the total amount claimed—\$11,436.15—is excessive in the circumstances.

Yet, before addressing the reasonableness of the fee claimed, it is worth noting that the PTO used prevailing market rates to calculate the attorney's fees due under Rule 37(b)(2)(C), Fed R. Civ. P., but then used the actual salaries of the PTO attorneys who worked on the case to calculate the attorney's fees due under 15 U.S.C. § 1071(b). The reason for using different methodologies to calculate attorney's fees is not immediately evident; the parties do not thoroughly address the issue, and indeed, plaintiff does not dispute either the PTO's use of actual attorney's salaries to calculate the award under § 1071(b) or the PTO's use of the prevailing market rate method to calculate the attorney's fee award under Rule 37, Fed R. Civ. P.

Although the parties have cited no published decision, and none has been found, that squarely addressing the proper methodology to be used in

⁵ When a party is sanctioned pursuant to Rule 37, Fed. R. Civ. P., for violation of a court's discovery orders, "the Court must order the disobedient party . . . to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the failure was substantially justified or other circumstances make an award of expenses unjust." Rule 37(b)(2)(C), Fed. R. Civ. P.

calculating attorney’s fees for government attorneys under § 1071(b) or Rule 37(b)(2)(C), Fed. R. Civ. P.,⁶ the cases—read as a whole—appear to suggest that attorney’s fees should be calculated using prevailing market rates where the entitlement to attorney’s fees in a statute or rule is cast in terms of “reasonable” attorney’s fees, but attorney’s fees should be calculated using actual salaries of the government attorneys where the entitlement to attorney’s fees in a statute or rule is cast in terms of expenses or “actual” expenses.⁷ This distinction certainly supports the use of the government attorney’s actual salaries under § 1071(b) because that statute, properly construed, is aimed at reimbursing the PTO for its actual expenses. Less clear is how this distinction bears on the question whether the market rate

⁶ *Cf. Napier v. Thirty or More Unidentified Federal Agents, Employees or Officers*, 855 F.2d 1080, 1092-93 (3rd Cir. 1988) (stating that attorney’s fees for sanctions under Rule 11, Fed. R. Civ. P. should be calculated using prevailing market rates, even if the attorneys are salaried government attorneys).

⁷ *See, e.g., Blum v. Stenson*, 465 U.S. 886, 896, 104 S.Ct. 1541, 79 L.Ed.2d 891 (1984) (holding that, in a fee-shifting context, “reasonable fees . . . are to be calculated according to the prevailing market rates in the relevant community”); *Wisconsin v. Hotline Indus., Inc.*, 236 F.3d 363, 367 (7th Cir. 2000) (stating that a court could not use the prevailing market rate to determine an award under the fee-shifting provision of 28 U.S.C. § 1447(c) because the statute limited fee awards to “actual expenses, including attorney’s fees, incurred”); *Raney v. Federal Bureau of Prisons*, 222 F.3d 927, 932 (Fed. Cir. 2000) (stating that, in the context of fee-shifting statutes, “courts have consistently interpreted ‘reasonable attorney fees’ as prevailing market rate fees”); *In re Thompson*, 426 B.R. 759, 766 (Bankr. N.D. Ill. 2010) (stating that the statute authorizing sanctions for violation of an automatic stay only authorizes recovery of attorney’s fees “for which [the party] is actually responsible” instead of attorney’s fees based on prevailing market rates).

method should be used under Rule 37(b)(2)(C), Fed. R. Civ. P., where the attorneys entitled to a fee award are government attorneys. A plausible argument can be made that, because an award of attorney's fees under Rule 37(b)(2)(C), Fed. R. Civ. P., is compensatory, not punitive, the actual government salaries should be used in that context, as well. In any event, this issue need not be reached or decided here, because the parties do not contest either the PTO's use of actual salaries under § 1071(b) or the PTO's of market rates under Rule 37(b)(2)(C), Fed. R. Civ. P. Additionally, the award of attorney's fees using market rates under Rule 37(b)(2)(C), Fed. R. Civ. P., in this case is appropriately substantially reduced.

In determining reasonable attorney's fees, the PTO used the familiar and appropriate methodology of calculating a lodestar figure by first determining a reasonable hourly rate and then multiplying this figure by the number of hours spent by the attorneys devoted to the matter. In this regard, the PTO used a figure of \$380 per hour for the work of the two attorneys who worked on the matter, which—in the circumstances—is not a plainly unreasonable rate.⁸ Similarly, the PTO determined the hourly rate of the

⁸ The PTO based this figure on *Won Kim v. U.S. Bank, N.A.*, 2013 WL 3973419 (E.D. Va. July 29, 2013) (O'Grady, J), in which the court used rates for general litigation approved by the Fourth Circuit in *Grissom v. The Mills Corp.*, 549 F.3d 313 (4th Cir. 2008), and then increased those rates by 14% to account for the increase in prices from 2008-2013. Based on the rates in *Won Kim*, the PTO claims a reasonable market rate for the work of the PTO attorneys is \$433 for an attorney with 31 years of experience and \$380 for an attorney with 16 years of experience. The PTO sensibly used the lower figure for the calculation of the attorney's fees award.

paralegal to be \$118.90 per hour, which also is not unreasonable. Next, the PTO multiplied the rate of \$380 by a combined 29 hours for the work done by its attorneys, and further multiplied the rate of \$118.90 by 3.5 hours for the work done by the paralegal.

Twenty-nine hours of attorney time to prepare and file a motion, memorandum in support, and reply memorandum is clearly excessive and unreasonable.⁹ This conclusion follows from the fact that the discovery order was clear and unambiguous, and plaintiff's violation of that order was equally clear, and indeed, uncontested. Given that the facts were neither disputed nor complicated, and given that no novel legal issue was presented, there is simply no good reason for experienced attorneys to have spent 29 hours on this matter. Although thoroughness is a virtue, attorneys must exercise sound judgment to avoid devoting more time to a problem or issue than is warranted. Here, the issue confronting the PTO was, as the PTO itself recognizes, "typical and mundane." *Shammas v. Rea*, Case No. 1:12cv1462 at *9 (E.D. Va. Nov. 13, 2013) (Memorandum in Support of Motion for Fees and Expenses). The facts were neither disputed nor complicated, and no novel legal issue was presented. Indeed, in its memorandum in support of the motion to strike and reply brief, the PTO found it

⁹ The Fourth Circuit has stated that district court should be guided by twelve factors in determining a lodestar figure, three of which are relevant here:

- (1) time and labor expended;
- (2) novelty and difficulty of the questions raised; and
- (3) the skill required to properly perform the legal services rendered.

Robinson v. Equifax Information Servs., LLC, 560 F.3d 235, 244-45 (4th Cir. 2009).

necessary to cite only two cases. A competent lawyer should have been able to research the matter and prepare the motion and supporting memorandum in less than 6 hours of focused work. The remaining 23 hours are excessive, and, as the Supreme Court has stated, when awarding attorney's fees, "the district court should . . . exclude from this initial fee calculation hours that were not 'reasonably expended.'" *Hensley v. Eckerhart*, 461 U.S. 424, 434, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). Accordingly, the PTO is entitled to no more than \$2,280.00 in attorney's fees.¹⁰ An award greater than this amount would be excessive and unreasonable in the circumstances.

III.

In sum, the PTO is entitled to reasonable attorney's fees under Rule 37(b)(2)(C), Fed. R. Civ. P., as set by the prevailing market rate for general litigation attorneys, in the amount of \$2,280.00. Furthermore, the PTO is entitled to "all expenses of the proceeding" under 15 U.S.C. § 1071(b)(3), comprised of \$32,836.27 in attorney salaries, \$3,090.32 in paralegal salaries, and \$393.90 in photocopying expenses.

An appropriate Order will issue.

¹⁰ This figure was determined by multiplying the reasonable rate given by the PTO—\$380 per hour—by six hours.

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 14-1191

MILO SHAMMAS,
Plaintiff-Appellant,

v.

MARGARET A. FOCARINO, COMMISSIONER OF PATENTS,
Defendant-Appellee,

AND

DAVID KAPPOS, DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE;
TERESA STANEK REA, ACTING DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE,
Defendants.

INTERNATIONAL TRADEMARK ASSOCIATION,
Amicus Supporting Appellant.

[Filed July 1, 2015]

ORDER

The court denies the petition for rehearing and rehearing en banc. No judge requested a poll under Fed. R. App. P. 35 on the petition for rehearing en banc.

Entered at the direction of the panel: Judge Wilkinson, Judge Niemeyer, and Judge King.

38a

For the Court

/s/ Patricia S. Connor, Clerk

STATUTES INVOLVED

Section 21 of the Lanham Act, 15 U.S.C. § 1071, provides:

§ 1071. Appeal to courts**(a) Persons entitled to appeal; United States Court of Appeals for the Federal Circuit; waiver of civil action; election of civil action by adverse party; procedure**

(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to register as a lawful concurrent user, party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 1058 of this title or section 1141k of this title, or an applicant for renewal, who is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, may appeal to the United States Court of Appeals for the Federal Circuit thereby waiving his right to proceed under subsection (b) of this section: *Provided*, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Director, shall, within twenty days after the appellant has filed notice of appeal according to paragraph (2) of this subsection, files notice with the Director that he elects to have all further proceedings conducted as provided in subsection (b) of this section. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under subsection (b) of this section, in default of which the decision appealed from shall govern the further proceedings in the case.

(2) When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the United States Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

(3) The Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the United States Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to that court a brief explaining the grounds for the decision of the United States Patent and Trademark Office, addressing all the issues involved in the appeal. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

(4) The United States Court of Appeals for the Federal Circuit shall review the decision from which the appeal is taken on the record before the United States Patent and Trademark Office. Upon its determination the court shall issue its mandate and opinion to the Director, which shall be entered of record in the United States Patent and Trademark Office and shall govern the further proceedings in the case. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(b) Civil action; persons entitled to; jurisdiction of court; status of Director; procedure

(1) Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit is dissatisfied with the decision of the Director or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said United States Court of Appeals for the Federal Circuit, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in subsection (a) of this section. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Director to take any necessary action, upon compliance with the requirements of law. However, no final judgment shall be entered in favor of an applicant under section 1051(b) of this title before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 1057(c) of this title.

(2) The Director shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Director, and, 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. In suits brought hereunder, the record in the United States Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the United States Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the United States Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there are adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the Eastern District of Virginia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

**Supreme Court of the United States
Office of the Clerk
Washington, DC 20543-0001**

SCOTT S. HARRIS
Clerk of the Court
(202) 479-3011

September 18, 2015

Mr. Aaron M. Panner
Kellogg, Huber, Hansen, Todd,
Evans & Figel, P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, DC 20036

Re: Milo Shammas
v. Margaret A. Focarino,
Commissioner of Patents
Application No. 15A307

Dear Mr. Panner:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to The Chief Justice, who on September 18, 2015, extended the time to and including October 29, 2015.

This letter has been sent to those designated on the attached notification list.

Sincerely,

Scott S. Harris, Clerk
by /s/ MICHAEL DUGGAN
Michael Duggan
Case Analyst

[attached notification list omitted]