

United States Court of Appeals
for the
Fourth Circuit

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.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
THE EASTERN DISTRICT OF VIRGINIA AT ALEXANDRIA, NO. 1:12-CV-01462-
TSE-TCB, T.S. ELLIS, SENIOR U.S. DISTRICT COURT JUDGE

**CORRECTED BRIEF FOR *AMICUS CURIAE* THE
INTERNATIONAL TRADEMARK ASSOCIATION IN
SUPPORT OF APPELLANT**

ANTHONY J. DREYER
JORDAN A. FEIRMAN
KATELYN N. ANDREWS
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
Four Times Square
New York, New York 10036
(212) 735-3000
anthony.dreyer@skadden.com

MARK N. MUTTERPERL
DAVID J. BALL
JESSICA S. PARISE
BRACEWELL & GIULIANI LLP
1251 Avenue of the Americas, 49th Floor
New York, New York 10020
(212) 508-6100
mark.mutterperl@bgllp.com

Attorneys for Amicus Curiae The International Trademark Association

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *amicus curiae* The International Trademark Association states that it is not a publicly-held corporation or other publicly-held entity. The International Trademark Association does not have any parent corporation and no publicly-held corporation or other publicly-held entity holds 10% or more of its stock.

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**IDENTITY OF *AMICUS CURIAE*, ITS INTEREST,
AND SOURCE OF AUTHORITY TO FILE¹**

Founded in 1878, *amicus curiae* The International Trademark Association (“INTA”) is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 6,000 members in more than 190 countries. Its members include trademark and brand owners, as well as law firms and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All INTA members share the goal of promoting an understanding of the essential role that trademarks play in fostering effective commerce, fair competition, and informed decision-making by consumers.

INTA was founded in part to encourage the enactment of federal trademark legislation following invalidation on constitutional grounds of the United States’ first trademark act. Since then, INTA has been instrumental in making recommendations and providing assistance to legislators in connection with major

¹ In accordance with Rule 29(c)(5) of the Federal Rules of Appellate Procedure, *amicus curiae* states that this brief was authored solely by INTA and its counsel, and no part of this brief was authored by counsel to a party. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae*, its members, and its counsel made such a monetary contribution to its preparation or submission.

trademark and related legislation, and has participated as *amicus curiae* in numerous cases in this Court and other courts across the country involving significant Lanham Act issues.² Moreover, INTA’s members are frequent participants in litigations in courts and in administrative proceedings before the United States Patent and Trademark Office (“PTO”) and Trademark Trial and Appeal Board (“TTAB”) with respect to actions brought under the Lanham Act, and therefore are interested in the development of clear, consistent, and equitable principles of trademark law.

INTA and its members have a particular interest in this case because the district court’s novel holding—that trademark applicants seeking federal district court review of TTAB determinations in *ex parte* proceedings are required to pay

² Recent Supreme Court and Circuit Court cases in which INTA has filed *amicus* briefs include, without limitation: *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 2014 WL 11689897 (Decided Mar. 25, 2014); *Pom Wonderful LLC v. The Coca-Cola Co.*, No. 12-761 (Sup. Ct.) (amicus brief filed Mar. 3, 2014); *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013); *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003); *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *Ferring Pharm. Inc. v. Watson Pharm., Inc.*, Case No. 13-2290 (3d Cir.) (amicus brief filed Sept. 20, 2013); *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 696 F.3d 206 (2d Cir. 2012); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012); and *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, 654 F.3d 958 (9th Cir. 2011).

the PTO's attorney's fees regardless of the outcome of the case—endangers trademark owners' and putative trademark registrants' rights to a meaningful review of TTAB determinations in district courts, where discovery and submission of evidence beyond the administrative record is permitted. Requiring trademark owners and applicants to pay portions of PTO attorney and paralegal salaries in addition to typical costs and expenses (*e.g.*, filing fees, copying costs, etc.) imposes a burden on trademark applicants that is so cost prohibitive as to effectively foreclose the possibility of federal district court review. As a result, trademark applicants would be forced to appeal all refusals to the United States Court of Appeals for the Federal Circuit, where review is based solely on a closed TTAB record developed with no discovery and a limited evidentiary record. *See* 37 C.F.R. § 2.120(a)(1) (availability of disclosure and discovery procedures of Federal Rules of Civil Procedure in *inter partes* but not *ex parte* proceedings before the TTAB).

In sum, the district court's holding creates a significant chilling effect, sharply limiting a trademark applicant's ability to obtain registration for a mark by effectively removing an important avenue for judicial review that is expressly provided for by Congress. Because there is no basis in the relevant statute or in its

legislative history for such an incongruous result, INTA and its members have an interest in the Appellant's ability to obtain reversal.

All parties to this litigation have consented to the filing of this *amicus* brief.

SUMMARY OF ARGUMENT

Few principles are more deeply entrenched in the American judicial system than the principle that litigants are ordinarily required to bear their own attorney's fees. Time after time, this so-called "American Rule" has been reaffirmed by the Supreme Court and this Circuit Court, which have unequivocally held that awards of attorney's fees are only available where Congress has *clearly and explicitly* authorized them. *See, e.g., Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.*, 532 U.S. 598, 602 (2001); *MR Crescent City, LLC v. Draper (In re Crescent City Estates, LLC)*, 588 F.3d 822, 825 (4th Cir. 2009).

Section 21(b)(3) of the Lanham Act, which provides for the payment of the PTO's "expenses" by parties bringing a civil action in federal district court to obtain review of a TTAB determination, makes no such clear or explicit mention of "attorney's fees." 15 U.S.C. § 1071(b)(3). This alone is sufficient to refute the district court's conclusion that "attorney's fees" are included within the awardable "expenses" under Section 21(b)(3), a conclusion that is bolstered when viewed in the context of the "American Rule" and the relevant, binding precedent.

Yet, even beyond the lack of any reference to attorney’s fees in the text of Section 21(b)(3) itself, there are other indications that Congress intended *not* to award attorney’s fees under that section. For example, Congress expressly refers to “attorney’s fees” in at least five other provisions in the Lanham Act, revealing that Congress is well aware of how to provide for attorney’s fees awards when it intends to do so. We have found nothing in the legislative history of Section 21(b)(3) or analogous predecessor provisions under the Patent Act that reveals any Congressional intent to award attorney’s fees under these circumstances.

Moreover, as a policy matter, interpreting “expenses” to include the PTO’s attorney’s fees would create a chilling effect by imposing a prohibitive cost—one that only the wealthiest of applicants could afford. Such a result not only is anathema to the principles undergirding U.S. intellectual property rights, but also effectively writes out of existence a critical mechanism of review expressly permitted under Section 21(b), *i.e.*, initiating an action in district court and benefitting from the discovery process (rather than pursuing an appeal to the Federal Circuit, where further development of the record is not permitted). The district court noted, but improperly disregarded, this incongruous result, instead attributing the aberration to the “odd” nature of Section 21.

Consequently, the district court’s holding constituted an error in statutory interpretation, and should be reversed.

LEGAL BACKGROUND

A. Dual Mechanism for Review of TTAB Decisions

Section 21 of the Lanham Act (15 U.S.C. § 1071) provides parties that dispute a decision by the TTAB with two procedural options to contest the decision. The first option, set forth in Section 21(a), is an appeal to the United States Court of Appeals for the Federal Circuit, which is taken solely “on the record before the United States Patent and Trademark Office.” 15 U.S.C. § 1071(a)(4). The second option, set forth in Section 21(b) and the option pursued by Shammas here in appealing the TTAB decision, is to file a civil action in any federal district court either against the Director of the PTO in *ex parte* cases or against an adverse third party in *inter partes* cases. See 15 U.S.C. § 1071(b)(1). In cases brought under Section 21(b), the PTO record will be admitted on motion of any party, but unlike a Section 21(a) Federal Circuit appeal, the PTO record can be further supplemented through additional discovery:

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 witnesses as the court imposes, without prejudice to the right of any party to take further testimony.

15 U.S.C. § 1071(b)(3). However, in *ex parte* cases, the pursuit of additional discovery comes with a price. In the event a party brings an *ex parte* action against

the Director of the PTO, that party must pay the PTO's reasonable "expenses of the proceeding" regardless of which party prevails:

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.

Id. The crux of this case, and the reason for INTA's *amicus curiae* submission, is that the Lanham Act does not expressly define "expenses of the proceeding."

B. The District Court Proceedings and Decision

Shammas filed a Section 21(b) civil action in the Eastern District of Virginia seeking review of the TTAB's decision denying trademark registration to the proposed mark "PROBIOTIC" with respect to fertilizer.³ Following additional discovery by both parties to supplement the TTAB record, the district court granted summary judgment in favor of the PTO on the grounds that substantial evidence supported the TTAB's finding that "PROBIOTIC" was generic and that Shammas's new evidence did not alter that conclusion. *See Shammas v. Rea*, No. 1:13-cv-1462, 2013 WL 5672404 (E.D. Va. Oct. 15, 2013).

³ INTA takes no position with respect to the merits of the TTAB's determination denying petitioner's registration, or petitioner's appeal to the District Court thereof. Nor does INTA express any opinion with respect to the District Court's award of attorney's fees pursuant to Federal Rule of Civil Procedure 37(b)(2)(C) based on petitioner's late filing of evidence.

Upon entry of the judgment, the PTO filed a motion seeking, *inter alia*, “expenses of the proceeding” pursuant to Section 21(b)(3). Included in that request were “fees” of the PTO attorneys and paralegals staffed on the case, calculated by prorating each employee’s yearly salary based on the number of hours actually devoted to the district court proceeding. Shammass opposed the inclusion of the PTO’s attorney and paralegal fees on the ground that attorney’s fees are not included in Section 21(b)(3).

Describing the case as a matter of “first impression,” the district court nonetheless viewed the issue as a “straightforward case of statutory interpretation.” *Shammass v. Focarino*, 1:12-cv-1462, 2014 WL 31282, at *2-4 (E.D. Va. Jan. 3, 2014) (“*Shammass II*”). The district court first turned to what it characterized as expansive dictionary definitions of “expenses” and concluded that the plain meaning of that term encompasses all varieties of outlays, including attorney’s fees. *Id.* at *2-3. The court reasoned, therefore, that the reference to “all expenses” in Section 21(b)(3) rendered Congress’s intent to award attorney’s fees “pellucidly clear.” *Id.* at *3. The district court then pointed to the text of several other federal statutes that “explicitly include ‘attorney’s fees’ as a subset of ‘expenses’” to support its argument that Congress typically considers “expenses” to include attorney’s fees. *Id.* at *3. The district court also relied upon a Michigan district court case that determined that the statutory term “expenses” as

used in a portion of the False Claims Act subsumed attorney's fees. *Id.* (discussing *United States ex rel. Smith v. Gilbert Realty Co.*, 34 F. Supp. 2d 527 (E.D. Mich. 1998)).

Notwithstanding its “straightforward” application of statutory interpretation, the district court noted that Section 21 was an “odd statute.” *Id.* at *2 n.2. The district court observed that the choice between a direct appeal to the Federal Circuit or a plenary action before a district court was an “odd” Congressional choice, especially where the party bringing the district court action would have to pay the PTO's attorney's fees “win, lose, or draw.” *Id.* at *2. In addition to this “anomalous result,” the district court also pondered how the dual mechanism allowed under Section 21 could “lessen the trademark applicant's incentive to put her best evidentiary foot forward before the PTO,” since she could supplement the record before the district court, as well as invite possible forum shopping. *See id.* at *2 n.2.

Without resolving these identified concerns, the district court interpreted Section 21(b) to allow the PTO's attorney's fees as “expenses of the proceeding” and awarded approximately \$36,000 in attorney and paralegal fees to the PTO.

ARGUMENT

I. THE DISTRICT COURT INCORRECTLY INTERPRETED SECTION 21(B)(3) TO INCLUDE ATTORNEY'S FEES

A. Attorney's Fees Are Not to be Awarded Pursuant to Federal Statute Unless Expressly and Clearly Authorized by Congress

Any discussion of attorney's fees awards must begin with the longstanding "American Rule" that "the prevailing litigant is ordinarily not entitled to collect a reasonable attorney's fee from the loser." *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247 (1975). As the Supreme Court has made clear, "Congress legislates against the strong background of the American Rule" and "unless Congress provides otherwise, parties are to bear their own attorney's fees." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994). Guided by this "deeply rooted" principle of federal jurisprudence, *Alyeska Pipeline*, 421 U.S. at 271, courts must follow "a general practice of not awarding fees to a prevailing party absent explicit statutory authority," *Buckhannon*, 532 U.S. at 602 (quoting *Key Tronic Corp. v. United States*, 511 U.S. 809, 819 (1994)) (emphasis added).

The "presumption that parties bear their own legal costs, win or lose" is not easily overcome. *In re Crescent City Estates, LLC*, 588 F.3d at 825. For a court to determine that Congress intended to abrogate the American Rule through legislation, a statute "must express its intent to do so clearly and directly" and "must speak directly to the question addressed" by the American Rule. *Id.* at 825-

26 (internal quotation marks and citation omitted). Accordingly, “[a]bsent explicit authorization from Congress,” it is the “duty” of the courts “to keep the American Rule intact.” *Id.* at 826; *see Williams v. Prof'l Transp., Inc.*, 294 F.3d 607, 614 (4th Cir. 2002).⁴

B. Section 21(b)(3) Lacks “Explicit Authorization from Congress” to Award Attorney’s Fees

In light of the strong presumption against the award of attorney’s fees, it is critical that Congress evince a clear intent to deviate from the American Rule and include attorney’s fees in an award of “all expenses of the proceeding” under Section 21(b)(3). The district court correctly started its analysis with the actual text of the statute to determine whether it clearly authorized the award of attorney’s fees. *See Shammass II*, 2014 WL 31282, at *2; *see also Gross v. FBL Fin. Servs.*, 557 U.S. 167, 175 (2009) (explaining that “[s]tatutory construction must begin with the language employed by Congress”) (internal quotation marks and citation omitted); *Williams v. Taylor*, 529 U.S. 420, 431 (2000) (“We start, as always, with the language of the statute.”). But the district court’s conclusion that Congress’s

⁴ The *Williams* court recognized an “exception” where attorney’s fees may be awarded “against a losing party when it has acted in bad faith, vexatiously, or wantonly.” *Id.* This narrow common law exception is not relevant here, where the district court’s holding would require attorney’s fees be awarded to the PTO in Section 21(b)(3) proceedings (in the district court’s words) “win, lose, or draw” and without any showing of bad faith or misconduct. *Shammass II*, 2014 WL 31282, at *2.

intention to award attorney's fees is "pellucidly clear" from the face of the statute is both incorrect and belied by the court's own analysis.

As an initial matter, the mere fact that the district court turned to dictionary definitions of "expenses" reflects the self-evident and dispositive point that Section 21(b)(3) itself makes no reference to attorney's fees.⁵ 15 U.S.C. § 1071(b)(3). The absence of any mention of attorney's fees is sufficient to demonstrate that Section 21(b)(3) does not contain the required "explicit authorization from Congress" that would permit a court to deviate from its "duty to keep the American Rule intact." *In re Crescent City Estates, LLC*, 588 F.3d at 826; *see Dean v. United States*, 556 U.S. 568, 572 (2009) (explaining that courts should "ordinarily resist reading words or elements into a statute that do not appear on its face") (quoting *Bates v. United States*, 522 U.S. 23, 29 (1997)); *Clarke v. Harleysville Mut. Cas. Co.*, 123 F.2d 499, 502 (4th Cir. 1941) ("It is the duty of the court to construe the statute as

⁵ The district court justified its reliance on dictionary definitions by referring to the language in *Gross* that courts may assume that the "ordinary meaning of [statutory] language accurately expresses the legislative purpose." *Shammas II*, 2014 WL 31282, at *2 n.3 (quoting *Gross*, 557 U.S. at 175). Even assuming *arguendo* that the dictionary definitions reflect that the "ordinary meaning" of "expenses" subsumes attorney's fees, the presumption established by the American Rule (and the related Supreme Court jurisprudence) necessarily alters the calculus of statutory interpretation in the instant context of fee-shifting provisions. *See, e.g., Alyeska Pipeline*, 421 U.S. at 271; *Buckhannon*, 532 U.S. at 602. In the absence of clear and explicit statutory authority, a mere assumption that the "ordinary meaning" of a vague, but broad, term subsumes attorney's fees is insufficient.

written and not indulge in interesting speculations as to what the statute might have been but was not.”).⁶

Moreover, Congress’s explicit provision for attorney’s fees in other sections of the Lanham Act, but not in Section 21(b)(3), forms a critical distinction impacting the interpretation of “expenses” that the district court failed to appreciate. Several provisions in the Lanham Act illustrate that Congress knew full well how to provide for attorney’s fees awards had it wanted to do so in Section 21(b)(3):

- 15 U.S.C. § 1114(2)(D)(iv) (“shall be liable for any damages, including costs *and attorney’s fees*, incurred by the domain name registrant as a result of such action”);
- *Id.* § 1116(d)(11) (“shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover *a reasonable attorney’s fee*”);
- *Id.* § 1117(a) (“The court in exceptional cases may award *reasonable attorney fees* to the prevailing party.”);

⁶ The district court’s subsequent attempt to buttress its conclusion by noting that Congress refers to “all expenses,” rather than simply “expenses,” is a distinction without a difference. *See Shammas II*, 2014 WL 31282, at *3. If the word “expenses” cannot be read to include attorney’s fees in light of the strong presumption of the American Rule, Congress’s addition of the word “all” certainly is insufficient to establish Congress’s intent to deviate from that presumption.

- *Id.* § 1117(b) (“the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a *reasonable attorney’s fee*”);
- *Id.* § 1122(c) (“Such remedies include injunctive relief . . . , actual damages, profits, costs *and attorney’s fees* under section 35”).

(Emphases added). Yet, Congress did not include the term “attorney’s fees” in Section 21(b)(3), reflecting Congress’s intention to exclude attorney’s fees from the scope of “expenses.” It is a basic canon of statutory interpretation that “where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” *Russello v. United States*, 464 U.S. 16, 23 (1983) (internal quotation marks omitted); *see Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) (noting the “duty to refrain from reading a phrase into the statute when Congress has left it out”) (internal quotation marks omitted).⁷

⁷ The Supreme Court and other courts have applied this same principle with respect to other provisions of the Lanham Act unrelated to attorney’s fees. *See, e.g., KP Permanent Make-Up*, 543 U.S. at 118 (“It is just not plausible that Congress would have used the descriptive phrase ‘likely to cause confusion, or to cause mistake, or to deceive’ in § 1114 . . . but would have relied on the phrase ‘used fairly’ in § 1115(b)(4) in a fit of terse drafting meant to place a defendant under a burden to negate confusion.”); *Enter. Rent-A-Car Co. v. Advantage Rent-A-Car, Inc.*, 330 F.3d 1333, 1342 (Fed. Cir. 2003) (concluding that, since Congress referred to “the geographical extent of the trading area in which the mark is used” in 15 U.S.C. § 1125(c)(1)(D), “[h]ad Congress intended to include a requirement that a defendant’s prior use cover a substantial

The district court’s reliance on other federal statutes to show that “expenses” as used in Section 21(b)(3) includes attorney’s fees only further proves the opposite. Indeed, *all* of the statutes cited by the district court—unlike Section 21(b)(3)—*explicitly* mention “attorney’s fees.” *See Shammas II*, 2014 WL 31282, at *3 (citing 28 U.S.C. § 2412, 5 U.S.C. § 504, 12 U.S.C. § 4246, 28 U.S.C. § 1447(c), 12 U.S.C. § 5009, 42 U.S.C. § 1490s, Fed. R. Civ. P. 37(b)(2)(C)). The fact that Congress, in certain of those statutes, refers to “attorney’s fees *and other expenses*” may arguably imply that the two are related or that attorney’s fees is a subset of “expenses,” but such an implication cannot trump the American Rule and the explicit identification of attorney’s fees when Congress intends to award them.

The district court’s heavy reliance on *United States ex rel. Smith v. Gilbert Realty Company*, 34 F. Supp. 2d 527 (E.D. Mich. 1998), does not compel a contrary conclusion. *See Shammas II*, 2014 WL 31282, at *3. While that court (somewhat perplexingly) did not rely on the American Rule, and instead looked to dictionary definitions and other federal statutes to determine whether the term

geographic area in order to defeat an injunction under the Act, it knew how to do so”); *Planet Hollywood (Region IV), Inc. v. Hollywood Casino Corp.*, 80 F. Supp. 2d 815, 901 (N.D. Ill. 1999) (“The fact that Congress added to Section 43(a) a specific reference to ‘trade dress’ shows that Congress was fully capable of including that term in Section 43(c) as well, if Congress intended to extend anti-dilution protection to trade dress . . . hence, the failure to include a specific reference to trade dress in Section 43(c), as Congress did in Section 43(a), takes on added meaning.”).

“expense” as used in the False Claims Act encompassed attorney’s fees, its decision did not run afoul of the American Rule because it *precluded* fee-shifting, rather than authorized it. *See Gilbert Realty*, 34 F. Supp. 2d at 530-31. Moreover, unlike the legislative history of Section 21(b)(3) of the Lanham Act (discussed in Part C below), the legislative history of the False Claims Act reflected a “clear intent of Congress” that the term “expenses” include attorney’s fees. *Id.* at 531.⁸

C. The Legislative History of Section 21(b)(3) Provides No Authority for the Award of Attorney’s Fees

Given the American Rule and the lack of any reference to attorney’s fees in Section 21(b)(3), it is clear that attorney’s fees should not be awarded as “expenses of the proceeding.” Yet, even if this Court turned to extrinsic materials such as the statute’s legislative history to aid statutory construction, it would fail to uncover any suggestion of Congressional intent—let alone the requisite *explicit intent*—to award attorney’s fees. *See Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S.

⁸ More sound reasoning is presented by a recent opinion by a district court within this Circuit holding that attorney’s fees are not awardable pursuant to Rule 37(a)(5)(C) of the Federal Rules of Civil Procedure despite the statute’s reference to “reasonable expenses.” In *EEOC v. McCormick & Schmick’s Seafood Restaurants*, the District of Maryland explained that because subsections (A) and (B) of Rule 37(a)(5) expressly referred to attorney’s fees, under the doctrine of *inclusion unius*, “the Court must presume that attorney’s fees are not permissible ‘expenses’ under subsection (C).” No. 11-2695, 2012 U.S. Dist. LEXIS 161511, at *11-13 (D. Md. Nov. 8, 2012); *see EEOC v. Bardon, Inc.*, No. 08-1883, 2010 WL 989051, at *3 (D. Md. Mar. 12, 2010) (same).

546, 568 (2005) (“Extrinsic materials have a role in statutory interpretation . . . to the extent they shed a reliable light on the enacting Legislature’s understanding of otherwise ambiguous terms.”); *In re Crescent City Estates, LLC*, 588 F.3d at 827 (“While [legislative] history cannot be used to override statutory text, it can serve as a useful supplement.”).

The expense-shifting language of Section 21 of the Lanham Act can be traced back to analogous provisions of the Patent Act of 1839, under which a patent applicant could appeal the Commissioner of Patent’s refusal to register a patent to either predecessor courts of the Federal Circuit (on the limited record presented to the Commissioner) or to any court of equity, provided that “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.”⁹ Ch. 88, 5 Stat. 353-355, § 10 (Mar. 3, 1839). Attorney’s fees are not mentioned in that provision of the 1839 Patent Act despite the fact that, even in those early years of the Republic, Congress was already legislating against the backdrop of the American Rule and would have

⁹ This language was revised slightly in the Patent Act of 1870: “all the expenses of the proceeding shall be paid by the applicant, whether the final decision is in his favor or not.” Ch. 230, 16 Stat. 198-217, § 52 (July 8, 1870). Alternate language was proposed by the House of Representatives in the course of the 1870 Patent Act revisions that read: “all costs shall be paid by the complainant, and the whole amount of costs taxed against the complainant shall not exceed the sum of twenty-five dollars.” 41st Cong., 2d Sess., H.R. 1714 (April 7, 1870). The Senate, however, rejected this proposal. 41st Cong., 2d Sess., H.R. 1714 (May 31, 1870).

included a reference to attorney's fees if it desired to impose fee-shifting. *See Arcambel v. Wiseman*, 3 U.S. (3 Dall.) 306 (1796) (“We do not think that this charge [of attorney fees] ought to be allowed. The general practice of the United States is in opposition to it; and even if that practice were not strictly correct in principle, it is entitled to the respect of the Court, till it is changed, or modified, by statute.”).

Until the Lanham Act was amended in 1962, the procedure for appealing decisions of the TTAB was provided for only by reference to 35 U.S.C. § 145 of the Patent Act, which contains the procedures for appeal of Patent Trial and Appeal Board decisions. Pub. L. No. 87-772, § 12, 76 Stat. 769, 771-72 (1962). The 1962 Lanham Act amendments eliminated the express reference to the Patent Act provision, but incorporated that statute's expense-shifting language largely unchanged. *Id.* In reviewing the legislative history of Section 21(b), there is no suggestion that Congress discussed attorney's fees; the issue arose neither when the Patent Act's language was first imported into the Lanham Act, *id.*, nor in the numerous times Section 21 of the Lanham Act was amended in the interim.¹⁰

¹⁰ *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, § 9, 125 Stat. 284, 316 (2011); *Trademark Technical and Conforming Amendment Act of 2010*, Pub. L. No. 111-146, § 3, 124 Stat. 66, 67 (2010); *Consolidated Appropriations Act, 2000*, Pub. L. No. 106-113, Div. B, § 1000(a)(9), 113 Stat. 1501, 1536 (1999); *Trademark Law Revision Act of 1988*, Pub. L. No. 100-667, § 120, 102 Stat. 3935, 3942 (1988); *Act of Nov. 8, 1984*, Pub. L. No. 98-620, § 414, 98

Of particular note is Pub. L. No. 93-600, which was enacted in 1975 and included not only an amendment to Section 21(b), but also importantly provided statutory authorization for the recovery of attorney fees in trademark infringement actions under Section 35(a) of the Lanham Act. The accompanying Senate Report on the bill discusses, with respect to the attorney fees amendment, the American Rule assumption against awarding attorney fees absent explicit statutory authorization. *See* S. REP. NO. 93-1400 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7132, 7134-36. In simultaneously amending Section 35(a) to include attorney's fees and amending Section 21(b) to address TTAB appeals, Congress had a clear opportunity to incorporate an explicit reference to attorney's fees in Section 21(b) and did not do so.

It is also worth noting the consideration given to Section 21(b) in the Trademark Law Revision Act of 1988. Pub. L. No. 100-667, § 120(4), 102 Stat. 3935, 3942 (1988). Congress directly addressed the expense-shifting language at issue here, adding the proviso that “unless the court finds the expenses to be unreasonable,” expenses shall be paid by the trademark applicant or registrant. *Id.* Congress explained that imposing a reasonableness standard “gives the courts discretion to refrain from charging the party bringing an *ex parte* appeal with all

Stat 3335 (1984); Act of Apr. 2, 1982, Pub. L. No. 97-164, § 162, 96 Stat. 25 (1982); Act of Jan. 2, 1975, Pub. L. No. 93-600, § 2, 88 Stat. 1955 (1975); Act of Jan. 2, 1975, Pub. L. No. 93-596, 88 Stat. 1949 (1975).

the costs of such a proceeding . . . [and] . . . assure[s] that the PTO seriously considers the need for incurring certain expenses in ex parte cases.” 133 CONG. REC. S16545-03, 1987 WL 947884 (Nov. 19, 1987) (emphasis added).

That Congress carefully considered the expense provisions of Section 21(b) and the incentives created thereby, yet refrained from including PTO attorney’s fees, indicates a legislative intent to avoid the district court’s broad reading of “expenses” and exclude an award of attorney’s fees. *See Fogerty*, 510 U.S. at 534 (“Such a bold departure from traditional practice [*i.e.*, the American Rule] would have surely drawn more explicit statutory language and legislative comment.”); *cf. In re Crescent City Estates, LLC*, 588 F.3d at 827 (noting that the legislative history of 28 U.S.C. § 1447(c) is silent on the issue of whether fee awards could be imposed on attorneys, and “[i]t defies common sense to think that Congress wished to expand fee liability to encompass lawyers but failed to say anything at all about that wish, at any point, during the statute’s consideration”). Furthermore, in the nearly 70-year history of the Lanham Act, other than the instant case, we are not aware of any in which the PTO even sought, let alone recovered, attorney’s fees under Section 21(b)(3). If Congress’ intent was so clear, it would not have taken the PTO this long to seek attorney’s fees under the statute in just a single case.

D. Including Attorney’s Fees as an “Expense” Will Chill The Right to Resort to the District Courts

While the legislative history does not clearly explain the rationale for creating a dual mechanism to challenge TTAB decisions (either by appealing directly to the Federal Circuit or initiating an action in district court), the two options are nevertheless available. The district court’s overly narrow statutory interpretation, however, effectively excises the right to district court review by imposing the cost of attorney’s fees on any plaintiff—“win, lose, or draw”—who elects to supplement the limited TTAB record through a discovery process that is not available on direct review to the Federal Circuit.

By creating a review process that allows appellants to commence a plenary action in district court, Congress recognized that certain circumstances would require an applicant to turn to a district court’s broad jurisdiction and expansive discovery process in order to introduce facts outside the scope of the PTO and TTAB review process.¹¹ The district court found “Congress’s decision to allow this choice . . . odd for several reasons,” *Shammas II*, 2014 WL 31282, at *2 n.2, none of which justify the imposition of attorney’s fees on Section 21(b) plaintiffs.

¹¹ For example, consider a decision by an examiner that a mark is not registrable because it is confusingly similar to an existing registered mark and, as evidence of the potential conflict between the two marks, presents website references purporting to show how the registered mark is used. In such a circumstance, there are no procedures by which an applicant can obtain non-party discovery, written or otherwise, to rebut the examiner’s purported evidence.

The district court viewed the statute as designed to “energetic[ally] . . . discourage” use of the district court review option by imposing the cost of the proceeding on the plaintiff. *Id.* Questioning this possible Congressional intent, the court recognized that such an approach “could lead to an anomalous result where the applicant must pay the PTO’s expenses of the district court proceeding even where the PTO loses in the district court on the administrative record alone and no new evidence is admitted or considered.” *Id.*

But the provision is not the paradox the district court describes. Congress understood that where an applicant considered the record created before the PTO and TTAB sufficient, the applicant could appeal directly to the Federal Circuit without incurring the PTO’s costs. Where the applicant believed that further factual development was essential, however, it could initiate a new proceeding before a district court and avail itself of the benefits of traditional discovery. There is no evidence in the statute, legislative history, or practical application evidencing a Congressional intent to “discourage” proceeding in district court rather than the Federal Circuit.

Given the limited use of either option, it makes little sense to assume that Congress aimed to impose the PTO’s attorneys’ fees on applicants out of a concern that district court proceedings would somehow overburden the PTO to an extent greater than a Federal Circuit appeal. The PTO’s legal fees are a fixed cost (*i.e.*,

salary) necessary to fulfill the government's desire to create trademark protections through the establishment and funding of the PTO. It does make sense, however, that Congress desired to avoid burdening the PTO with the expenses of proceeding with litigation (*e.g.*, court filing fees, expert witnesses, travel) that the PTO did not itself initiate but must nonetheless defend.¹² The district court's perceived "anomaly" is actually exacerbated if, in the scenario it describes, the applicant is forced to pay the PTO's salary as well as its costs since the PTO's "attorney's fees" would certainly be exponentially greater, and significantly less predictable, than merely its costs.¹³

For that reason, the district court's suggestion that Section 21(b)(3) invites forum shopping by allowing an unsuccessful applicant to initiate a district court

¹² The district court in the instant case surmised that allowing a trademark applicant to proceed before a district court "lessen[s] the trademark applicant's incentive to put her best evidentiary foot forward before the PTO" because the applicant can simply "supplement the record in the district court." *Id.* This assumption is illogical primarily because it would be irrational for a trademark applicant to handicap itself in obtaining trademark registration by withholding evidence that would support the application (and serve as evidence to be considered as part of the record on appeal, if necessary). Additionally, the statute itself informs applicants that proceeding before a district court will require payment of both the applicant's own costs and those of the PTO. It is therefore unlikely that an applicant would voluntarily incur such costs and unfair to impose such costs due to a speculative lack of applicant effort.

¹³ Indeed, an anomalous result is even more likely if the PTO is incentivized to devote time and attention – potentially undue time and attention especially where the PTO's position may be weak – to any district court proceeding because it is ensured an award of attorney's fees regardless of the outcome.

proceeding in the venue of its choice is mistaken. Venue selection allows the applicant to balance the PTO's costs against its own costs and make the decision after considering such factors as witness and document location and other items impacting discovery and trial. Further, allowing a choice of venue prevents any single district court from being overburdened by such "appeals" and therefore aids in the efficient administration of justice.

The district court's approach would create a chilling effect and introduce such a prohibitive expense that it would effectively remove district court review under Section 21(b) as a viable procedure for all but the wealthiest applicants. Such a result runs counter to the dual system of TTAB review as drafted by Congress and any interpretation of Section 21(b)(3) that allows that result cannot stand.

CONCLUSION

For the foregoing reasons and those set forth in Petitioners' brief, the Court should reverse the district court's order and hold that attorney's and paralegal's fees are not included within the scope of "all expenses of the proceeding" awarded pursuant to Section 21(b)(3) of the Lanham Act.

June 10, 2014

Respectfully submitted,

/s/ MARK N. MUTTERPERL
MARK N. MUTTERPERL

DAVID J. BALL
JESSICA S. PARISE
BRACEWELL & GIULIANI LLP
1251 Avenue of the Americas
49th Floor
New York, NY 10020

ANTHONY J. DREYER
JORDAN A. FEIRMAN
KATELYN N. ANDREWS
SKADDEN, ARPS, SLATE,
MEAGHER, & FLOM LLP
Four Times Square
New York, NY 10036
(212) 735-3000

CERTIFICATE OF COMPLIANCE WITH FED. R. APP. P. 29 AND 32

1. This memorandum complies with the type-volume limitation of Fed. R. App. P. 29(d) and Fed. R. App. P. 32(a)(7)(B)(i) because it contains 6,250 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii).

2. This memorandum complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the typestyle requirements of Fed. R. App. P. 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in 14-point Times New Roman.

Dated: June 10, 2014
New York, New York

/s/ Mark N. Mutterperl

CERTIFICATE OF FILING AND SERVICE

United States Court of Appeals for the Fourth Circuit

Shammas v. Focarino, et al., No. 14-1191

CERTIFICATE OF SERVICE

I, Maryna Sapyelkina, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by Skadden, Arps, Slate, Meagher & Flom LLP, Attorneys for *Amicus Curiae* to print this document. I am an employee of Counsel Press.

On the **11th Day of June, 2014**, counsel for *Amicus Curiae* has authorized me to electronically file the within **Corrected Brief for Amicus Curiae The International Trademark Association in Support of Appellant** with the Clerk of the Court using the CM/ECF System, which will serve via e-mail notice of such filing to any of the following counsel registered as CM/ECF users:

STEFFIN LELKES AZOD LLP
Armin Azod
505 North Figueroa Street
Suite 601
Los Angeles, CA 90012
310-734-8442
armin.azod@usaiplaw.com

OFFICE OF THE UNITED
STATES ATTORNEY
Dennis Carl Barghaan Jr.
2100 Jamieson Avenue
Alexandria, VA 22314-5194
703-299-3891
dennis.barghaan@usdoj.gov

MCGUIRE COATS LLP
Wendy McGuire Coats
3527 Mt. Diablo Boulevard,
No. 281
Lafayette, CA 94549
925-297-6415
wendy@mcguirecoats.com

Attorneys for Appellee

JENNISON & SHULTZ, P.C.
John Nolan Jennison
2001 Jefferson Davis Highway
Suite 1102
Arlington VA 22202
703-415-1640
John@JennisonLaw.com

KELLOGG, HUBER, HANSEN,
TODD, EVANS & FIGEL, PLLC
William Joss Nichols
1615 M Street, NW Suite 400
Washington DC 20036-0000
202-326-7900
jnichols@khhte.com

Attorneys for Appellant

Additionally, two paper copies will be mailed to the above counsel on this date.

Unless otherwise noted, 8 paper copies will be filed with the Court, via U.S. Express Mail, within the time provided in the Court's rules.

June 11, 2014

/s/ Maryna Sapyelkina
Maryna Sapyelkina
Counsel Press