Only ‘Expenses’ Not ‘Attorney Fees’ Should Be Awarded Under Section 21(b) of the Lanham Act

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On December 1, 2015, the New York Intellectual Property Law Association filed an amicus brief in support of the petition for a writ of certiorari in *Shammas v. Hirshfeld*, No. 15-563. Dorothy Auth, President of the NYIPLA, Charles R. Macedo and David Goldberg of Amster, Rothstein & Ebenstein LLP, Charles E. Miller of Eaton & Van Winkle, LLP, Robert Isackson of Orrick, Herrington & Sutcliffe, LLP, Pina M. Campagna of Carter, DeLuca, Farrell & Schmidt LLP, Dyan Finguerra-DuCharme of Pryor Cashman, LLP, Melvin Garner of Leason Ellis LLP and David Ryan were authors on the brief. Charles R. Macedo, Irena Royzman and David Ryan are Co-Chairs of NYIPLA’s Amicus Briefs Committee and Robert Isackson is the NYIPLA Board Liaison.

In the brief, the NYIPLA asks the Court to grant the petition “in this case in order that the Court may provide uniform guidance to the lower federal courts as to the correct interpretation” of Section 21(b) of the Lanham Act.

The following are excerpts taken from the NYIPLA’s brief.

Section 21 of the Lanham Act (15 U.S.C. § 1071) provides trademark applicants who are dissatisfied with certain decisions made by the PTO’s Trademark Trial and Appeal Board (“TTAB”) regarding their U.S. Trademark Applications with two options:

1. Under Section 21(a), they may appeal the unfavorable decision to the U.S. Court of Appeals for the Federal Circuit. 15 U.S.C. § 1071(a); or
2. Under Section 21(b), they may appeal the decision *de novo* to a U.S. district court. 15 U.S.C. § 1071(b).

Congress provided applicants with the ability to appeal to the district courts primarily to afford them the option of providing new evidence in a trial court. *See CAE, Inc. v. Clean Air Eng’g, Inc.*, 267 F.3d 660, 673 (7th Cir. 2001).

The Petition presents a question of exceptional importance to brand owners seeking to avail themselves of the advantages of federal trademark registration:

Whether the requirement in Section 21(b)(3) of the Lanham Act, that “unless the court finds

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[them] to be unreasonable, all the expenses of the proceeding shall be paid by the party bringing the action," 15 U.S.C. § 1071(b)(3) (emphasis added), was misconstrued by the Court of Appeals to include the salaries of the PTO's in-house legal and paralegal employees as "attorney fees?"
The NYIPLA respectfully submits that the Fourth Circuit's decision to include these salaries contravenes the meaning of the Lanham Act, violates the American Rule and, if allowed to stand, will discourage trademark applicants from seeking warranted *de novo* reviews of flawed PTO decisions.

The Association respectfully submits that the decisions below to award the PTO its attorney fees under the guise of part of "all the expenses of the proceeding" is error which must be corrected by this Court. This error is further compounded by the award of non-out-of-pocket fees (e.g., employee salaries) in this case.

Section 1071(b)(3) does not expressly or implicitly permit the award of "attorney fees" to the PTO. Specifically, Section 1071(b)(3) states simply that

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.

By its express terms, the statute merely allows for the award of "expenses," and not "attorney fees."

As this Court explained in *Alyeska Pipeline Service Co. v. Wilderness Society*, "[I]n 1796, this Court appears to have ruled that the Judiciary itself would not create a general rule, independent of any statute, allowing awards of attorney fees in federal courts." 421 U.S. 240, 249 (1975). After discussing the progression of this nation's rules regarding the award of "attorney fees" and "costs" in litigation, *Alyeska* explained "[u]nder this scheme of things, it is apparent that the circumstances under which attorney fees are to be awarded and the range of discretion of the courts in making those awards are matters for Congress to determine." *Id.* at 262. Thus, *Alyeska* concluded that it was not for the Courts (even this Court) to allow for the award of attorney fees without express Congressional authority.

There are many examples of statutory schemes where Congress has, contrary to the American Rule authorized the award of attorney fees, as *Alyeska* explains. But in each case, Congress used the words "attorney fees" and not merely "expenses."

Here, there is no express statutory authority to award "attorney fees". The statute does not expressly state that "attorney fees" are also to be shifted, and the word "expenses," in itself, does not clearly include attorney fees (let alone the non-out-of-pocket fees–e.g., employee salaries sought by the government as a party here).

Consistent with this Court's longstanding practice as discussed in *Alyeska*, attorney fees should be shifted only if the underlying fee-shifting statute expressly indicates and

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unequivocally states that expenses or costs include such fees. *Marek v. Chesny*, 473 U.S. 1, 8-9 (1985); *Utility Automation 2000, Inc. v. Choctawhatchee Elec. Co-op, Inc.*, 298 F.3d 1238, 1246 (11th Cir. 2002). That is simply not the case here. 15 U.S.C. § 1071(b)(3).

If the Section were construed to include attorney fees as advocated by the PTO, then because the expense shifting provision is agnostic as to the prevailing party, it could lead to the fundamental absurdity of requiring the winner in a civil action to pay for the losing side's lawyers. In contrast, there is no absurdity in construing the Section to exclude attorney fees, because it is logically consistent that Congress would condition a trademark applicant's right to an appeal under § 1071(b)(1) that allows additional discovery on paying the PTO's expenses associated with that incremental discovery, which incremental expenses would not be incurred in a Federal Circuit appeal under § 1071(a)(1), yet in either case the PTO would be responsible for its attorney fees.

Furthermore, unless the term "expenses of the proceeding" can be read to include "attorney fees," the panel majority's reliance upon "all" must be deemed misplaced. Since attorney fees cannot in fact be contemplated by terms like "expenses of the proceeding" or "cost of suit," the focus upon "all" adds nothing. Indeed, where Congress wishes to include attorney's fees within such a term, it has known since 1914 exactly how this can be accomplished and expressed.

Thus, Section 4 of the Clayton Act, 15 U.S.C. § 15, explicitly provides that any person injured "by reason of anything forbidden in the antitrust laws" may sue for recovery of "threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

A Writ of Certiorari should issue to correct the injustice arising from the erroneous construction of "all the expenses" below.

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