No. 15-563

In the Supreme Court of the United States

MILO SHAMMAS, PETITIONER

v.

DREW HIRSHFELD, COMMISSIONER FOR PATENTS

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED

Section 21 of the Trademark Act of 1946, 15 U.S.C. 1071, provides that an unsuccessful applicant for trademark registration may obtain judicial review either directly in the Federal Circuit or by filing a new civil action against the Patent and Trademark Office (PTO) in district court. If the applicant elects to proceed against the agency in district court, "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). The question presented is as follows:

Whether the Fourth Circuit correctly interpreted the phrase "all the expenses" to include the personnel expenses incurred by the PTO during the district court proceeding.

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OPINIONS BELOW

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

JURISDICTION

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

STATEMENT

1. a. The Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, established the modern regime for

registering trademarks in the United States. Under the Lanham Act, trademark owners may commence various administrative proceedings in the United States Patent and Trademark Office (PTO) to register, protect, and defend their trademarks. See, *e.g.*, 15 U.S.C. 1051 (applications to register trademarks); 15 U.S.C. 1063 (oppositions to new registrations); 15 U.S.C. 1064 (petitions to cancel a registration).

The PTO's operations, including its examination of applications for patents and trademark registrations, are funded by user fees. See *Figueroa* v. *United States*, 466 F.3d 1023, 1028 (Fed. Cir. 2006). Although the PTO's fees were previously set by statute, *id.* at 1026, in 2011 Congress authorized the agency to set its fees so as "to recover the aggregate estimated costs to the [PTO] for processing, activities, services, and materials relating to patents * * * and trademarks." Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 10, 125 Stat. 316. The PTO has accordingly established a fee schedule designed to recover the aggregate costs of examining patent and trademark applications, as well as the costs of its other procedures and operations. See 78 Fed. Reg. 4212 (Jan. 28, 2013). Applicants for patents and trademark registrations pay substantial fees—*e.g.*, up to $375 per class for a trademark application, 37 C.F.R. 2.6(a)(1)(i), $4000 for expedited patent examination, 37 C.F.R. 1.17(c), and $40 per hour for general labor for administrative services, 37 C.F.R. 2.6(b)(10) —that are calculated to cover the PTO's expenses of operation.

b. When an applicant seeks to register a trademark, the Director of the PTO refers the application to an examiner. 15 U.S.C. 1062(a). "If the applicant is

found not entitled to registration, the examiner shall advise the applicant thereof and of the reasons therefore." 15 U.S.C. 1062(b). When an examiner has refused registration, the applicant may pursue an appeal with the Trademark Trial and Appeal Board (TTAB), which renders a final decision on behalf of the PTO. See 15 U.S.C. 1067, 1070.

If the TTAB affirms the refusal to register, a trademark applicant may seek judicial review of the TTAB's decision in either of two ways. See 15 U.S.C. 1071(a) and (b). Both avenues originated in, and contain language that is materially similar to, the statutory provisions that govern judicial review of PTO decisions denying patent applications. See generally S. Rep. No. 2107, 87th Cong., 2d Sess. 7 (1962) (explaining that before 1962, the Lanham Act incorporated patent review procedures by reference); Act of Oct. 9, 1962, Pub. L. No. 87-772, § 12, 76 Stat. 771-772 (establishing trademark review procedures); cf. 35 U.S.C. 141, 145 (procedures for reviewing patent denials).

First, the applicant may appeal directly to the United States Court of Appeals for the Federal Circuit. 15 U.S.C. 1071(a); cf. 35 U.S.C. 141 (patent procedure). In such an appeal, the Federal Circuit reviews "the decision from which the appeal is taken on the record before the [PTO]." 15 U.S.C. 1071(a)(4). The court reviews the PTO's factual findings for "substantial evidence." *In re Pacer Tech.*, 338 F.3d 1348, 1349 (Fed. Cir. 2003).

Alternatively, the applicant may file a civil action against the PTO in federal district court. 15 U.S.C. 1071(b); cf. 35 U.S.C. 145 (patent procedure). In such an action, the applicant may conduct discovery and submit new evidence not presented to the PTO, and

the district court must make de novo factual findings with respect to the new evidence. See *B & B Hardware, Inc.* v. *Hargis Indus., Inc.*, 135 S. Ct. 1293, 1301 (2015); cf. *Kappos* v. *Hyatt*, 132 S. Ct. 1690, 1701 (2012) (describing the same framework for actions challenging patent denials under 35 U.S.C. 145). But Congress imposed an important condition on the availability of de novo review by providing that, "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) (emphasis added); see 35 U.S.C. 145 (similar).

2. a. Petitioner owns a gardening-supply company. Pet. App. 3a. In June 2009, petitioner filed an application with the PTO seeking to register the word "PROBIOTIC" as a trademark for fertilizer products. *Ibid.* A PTO examiner refused registration because the term was generic, or alternatively was merely descriptive and had not acquired secondary meaning when used for fertilizer products. *Ibid.* Petitioner appealed the decision to the TTAB, which affirmed the examiner's decision. *In re Milo Shammas*, No. 77758863, 2012 WL 5493559, at *7 (T.T.A.B. Oct. 25, 2012).

In December 2012, petitioner filed this action under Section 1071(b) against the PTO Director in district court. 12-cv-01462 Docket entry No. (Docket No.) 1 (E.D. Va. Dec. 19, 2012); see 15 U.S.C. 1071(b).[1]

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[1] As required by Section 1071(b), petitioner brought this suit against the Director of the PTO. Docket No. 1; see 15 U.S.C. 1071(b) (suit must be brought against the Director). On December 2, 2013, Margaret A. Focarino was substituted as the defendant. Docket No. 49; see Fed. R. Civ. P. 25(d). At that time, Ms. Foca-

Petitioner presented new evidence, including evidence on whether the term PROBIOTIC had acquired secondary meaning. C.A. App. 29-30. The district court granted the PTO's motion for summary judgment, concluding that the TTAB had properly denied the trademark application. *Id.* at 14-33.

b. The PTO subsequently moved under Section 1071(b)(3) for an order directing petitioner to pay "all the expenses of the proceeding." 15 U.S.C. 1071(b)(3). The PTO presented evidence that, in defending the litigation, the agency had incurred $393.90 in photocopying charges and $36,926.59 in personnel expenses associated with the work performed by two agency attorneys and one paralegal. C.A. App. 38-43.[2]

The district court granted the PTO's expense request. Pet. App. 23a-36a. The court rejected petitioner's argument that Section 1071(b)(3) does not permit

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rino was the Commissioner for Patents and was also serving as the Acting Director of the PTO. Her substitution as defendant was appropriate based on her status as Acting Director, not on her position as Commissioner for Patents. The case caption in this Court, however, names Drew Hirshfeld, the current Commissioner for Patents, as the respondent. That caption is erroneous, since Mr. Hirshfeld is not the Director of the PTO and is not performing the functions of the Director, and because Ms. Focarino's former status as Commissioner for Patents was not the basis for her earlier substitution as defendant. Pursuant to this Court's Rule 35.3, the current Director of the PTO, Michelle K. Lee, should be substituted as the respondent.

[2] The PTO calculated personnel expenses by multiplying the number of hours each attorney and paralegal had devoted to the proceeding by their respective hourly rates. Each individual's hourly rate was calculated based on his or her annual salary and an annual workload of 2000 hours. See Docket No. 45, at 16 (Nov. 13, 2013). Petitioner does not challenge the reasonableness of the expenses or the method for calculating expenses.

the PTO to recover personnel expenses associated with attorney and paralegal work. *Id.* at 28a-31a. The court found it "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." *Id.* at 29a. In particular, the court noted that the "addition of the word 'all' * * * clarif[ied] the breadth of the term 'expenses'" in Section 1071(b)(3). *Ibid.*

3. a. The court of appeals affirmed. Pet. App. 1a-22a. The court held that the ordinary meaning of the term "expenses" includes personnel expenses for attorneys and paralegals. *Id.* at 5a. The court emphasized that "Congress modified the term 'expenses' with the term 'all,' clearly indicating that the common meaning of the term 'expenses' should not be limited." *Ibid.* The court reasoned that the PTO had incurred expenses when its attorneys and paralegals were required to defend the agency in the district court proceeding, because "their engagement diverted PTO's resources from other endeavors." *Id.* at 6a (citing *Wisconsin* v. *Hotline Indus., Inc.*, 236 F.3d 363, 365 (7th Cir. 2000)). That construction, the court explained, was consistent with Congress's evident intent of reducing the financial burden on the PTO resulting from de novo proceedings under Section 1071(b). *Id.* at 10a-11a.

The court of appeals rejected petitioner's argument that the term "expenses" is synonymous with "taxable costs." Pet. App. 8a-10a. The court explained that petitioner's interpretation was inconsistent with Section 1071(b)'s second sentence, which refers both to "expenses" and "costs" in providing that the administrative record may be admitted "upon such terms and

conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes." *Id.* at 8a-9a; 15 U.S.C. 1071(b)(3). The court also observed that it had previously held, in the context of the parallel patent-law provision, 35 U.S.C. 145, that "the 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.'" Pet. App. 8a (quoting *Robertson* v. *Cooper*, 46 F.2d 766, 769 (4th Cir. 1931)).

The court of appeals also rejected petitioner's reliance on the so-called American Rule, under which parties presumptively bear their own attorney's fees unless Congress provides otherwise. Pet. App. 6a. The court concluded that the American Rule was not implicated here because Section 1071(b)(3) is not properly viewed as a fee-shifting statute. *Id.* at 7a. While fee-shifting statutes generally award attorney's fees to the prevailing party, the court stated, under Section 1071(b)(3), the "PTO is entitled to recover its expenses even when it completely fails." *Ibid.*

b. Judge King dissented. Pet. App. 15a-22a. He would have held that the American Rule applied and that Section 1071(b)(3) does not overcome the presumption against fee-shifting. *Id.* at 16a.

ARGUMENT

Petitioner contends (Pet. 9-27) that Section 1071(b)(3)'s reference to "all the expenses of the [Section 1071(b)] proceeding" does not encompass personnel expenses incurred by the PTO for work done by attorneys and paralegals. 15 U.S.C. 1071(b)(3). The court of appeals' decision is correct, and it does not conflict with any decision of another court of appeals. Further review is not warranted.

1. The court of appeals correctly held that petitioner must pay "all the expenses," including the PTO's personnel expenses, of the proceeding he chose to commence. Pet. App. 14.

a. i. Section 1071(b)(3) states that, when an unsuccessful trademark applicant files a de novo action seeking to register a trademark in 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," unless "the court finds the expenses to be unreasonable." 15 U.S.C. 1071(b)(3). The ordinary meaning of the phrase "all the expenses of the proceeding" is all the expenditures "of money, time, labor, or resources" by a participant in the proceeding to attain its desired result. See *Black's Law Dictionary* 698 (10th ed. 2014) (defining "expense" as "[a]n expenditure of money, time, labor, or resources to accomplish a result"); Noah Webster, *An American Dictionary of the English Language* (1st ed. 1828) ("[a] laying out or expending; the disbursing of money, or the employment and consumption, as of time or labor").

In particular, the term "expenses," when used in the context of civil litigation, is generally understood to include expenditures "for attorneys, experts, consultants, and investigators." *Taniguchi* v. *Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2006 (2012); see 10 Charles Alan Wright *et al.*, *Federal Practice and Procedure* § 2666 (3d ed. 1998) ("'[e]xpenses' * * * include all the expenditures actually made by a litigant in connection with the action," including expenses for attorneys). Section 1071(b)(3)'s reference to "expenses of the proceeding" thus encompasses expenditures for attorney services. Because the PTO

conducts litigation through attorneys who are salaried government employees, its attorney expenditures take the form of the dedicated time of salaried attorneys and paralegals who work on the proceeding and are consequently unavailable to work on other matters. Cf. *Wisconsin* v. *Hotline Indus., Inc.*, 236 F.3d 363, 365 (7th Cir. 2000) ("[S]alaried government lawyers, like in-house and non-profit counsel, do incur expenses if the time and resources they devote to one case are not available for other work."). Dedicated attorney and paralegal resources therefore represent "expenses of the proceeding" within the meaning of Section 1071(b)(3).

ii. Petitioner's contrary construction of Section 1071(b)(3) cannot be squared with the statute's text. In petitioner's view (Pet. 14-15), "expenses" is a "synonym" for "costs," and the phrase "expenses of the proceeding" should be limited to "out-of-pocket expenses paid to the tribunal or incurred to comply with procedural requirements."

Section 1071(b)(3)'s second sentence, however, reflects Congress's evident intent to distinguish between "expenses" and "costs," stating that the court may admit the administrative record into evidence on appropriate terms and conditions "as to costs, expenses, and the further cross-examination of the witnesses" in the suit. 15 U.S.C. 1071(b)(3). As the Fourth Circuit recognized several decades ago, "[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.'" *Robertson* v. *Cooper*, 46 F.2d 766, 769 (1931)); see *Cook* v. *Watson*, 208 F.2d 529, 531 (D.C. Cir. 1953) ("'expenses' are not limited to costs").

That interpretation is consistent with the ordinary understanding of the relationship between costs and expenses. Although "'costs' has an everyday meaning synonymous with 'expenses,'" the term has a narrower meaning when used in statutes and rules pertaining to taxation of costs. *Taniguchi*, 132 S. Ct. at 2006 (citation omitted). As used in that context, "costs" are "limited to relatively minor, incidental expenses," such as transcript and docketing fees and copying costs. *Ibid.* Under statutes that authorize parties to recover the "costs" of litigation, "[t]axable costs are a fraction of the nontaxable expenses borne by litigants for attorneys, experts, consultants, and investigators." *Ibid.* Although petitioner's argument would have merit if Section 1071(b)(3) used the term "costs," Congress's decision to use the word "expenses" instead should be accorded its natural effect, particularly given the statute's expansive reference to "*all* the expenses of the proceeding." 15 U.S.C. 1071(b)(3) (emphasis added).

b. The court of appeals' construction of Section 1071(b)(3) is consistent with the structure and purpose of the statute. Section 1071 provides two alternate avenues for obtaining judicial review of the PTO's refusal of a trademark registration. Section 1071(a) permits an applicant to obtain review in the court of appeals on the record created before the agency, and it does not require the applicant to pay the "expenses" of such a proceeding. Section 1071(b), by contrast, permits the applicant to file a de novo action in the district court, in which he may conduct discovery and present new evidence. 15 U.S.C. 1071. A Section 1071(b) suit thus provides an applicant with valuable procedural rights that are not available in an appeal

under Section 1071(a). But such a suit also imposes significantly higher burdens on the PTO, which may need to conduct and respond to discovery and address new evidence, than a traditional action for on-the-record judicial review under Section 1071(a).

Section 1071(b)(3)'s requirement that the applicant pay "all the expenses of the proceeding" therefore serves the important purpose of protecting the PTO's resources. The reimbursement requirement also discourages abusive filings by ensuring that the expense of litigating de novo proceedings is borne by the applicants who choose to invoke Section 1071(b). See *Hyatt* v. *Kappos,* 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc) ("To deter applicants from exactly the type of procedural gaming that concerns the Director, Congress imposed on the applicant the heavy economic burden of paying '[a]ll the expenses of the proceedings' regardless of the outcome."), aff'd, 132 S. Ct. 1690 (2012). Section 1071(b)(3) also helps to ensure that other PTO users—who must pay fees designed to recover the PTO's operational costs, see p. 2, *supra*—are not effectively compelled to underwrite Section 1071(b) actions.

The PTO's personnel expenses make up a large portion of the PTO's expenditures in a Section 1071(b) proceeding. See Pet. App. 11a. Disallowing those expenses would prevent the PTO from recouping the bulk of its expenses, thereby disserving the important purposes of Section 1071(b)(3).

c. Construing Section 1071(b)(3)'s reference to "expenses of the proceeding" to include personnel expenses is also consistent with the historical understanding of the de novo proceeding.

Section 1071(b)'s provision of a de novo proceeding to register a trademark originates in the parallel proceeding established under the patent laws, which dates back to 1836. See p. 3, *supra*; Act of July 4, 1836 (1836 Act), ch. 357, § 16, 5 Stat. 123-124 (creating proceeding in equity to challenge a decision of the Patent Office). During the nineteenth century, the Court viewed the de novo proceeding as distinct from "a technical appeal" of the PTO's decision; rather, the Court explained, "the proceeding is, in fact and necessarily, a part of the application for the patent." *Gandy* v. *Marble*, 122 U.S. 432, 439 (1887). The de novo proceeding thus was understood to be in practical effect a continuation of the examination proceeding, in which the applicant could receive an adjudication of his entitlement to a patent based on new evidence.

In the initial examination proceeding before the PTO, the applicant was required to pay an application fee designed to help cover the cost of the PTO's examination. 1836 Act § 9, 5 Stat. 117, 121. Those initial application fees were used to pay "the *expenses* of the Patent Office," including "the salaries of the officers and clerks herein provided for." *Ibid.* (emphasis added). Congress used similar language in the Patent Act of 1839 when it first required each applicant to pay the "expenses of the proceeding" (then, a bill in equity) if he invoked the de novo judicial proceeding to obtain a patent. Act of Mar. 3, 1839, ch. 87, § 10, 5 Stat. 354. Particularly because the de novo judicial proceeding was effectively a continuation of the examination, it makes sense to construe reimbursement for "expenses of the proceeding" to have the same function as the requirement of application fees—namely, defraying

the PTO's expenditures, including personnel expenses. Just as an applicant before the PTO must pay an application fee in order to help defray the costs of the PTO's consideration of the application, a disappointed applicant who institutes a Section 1071(b)(3) suit must compensate the PTO for the personnel costs occasioned by the de novo proceeding.

2. Petitioner contends (Pet. 9-19) that the court of appeals should have applied a presumption that, absent express statutory direction to the contrary, "each side must pay its own attorney's fees." *Baker Botts L.L.P.* v. *ASARCO LLC*, 135 S. Ct. 2158, 2163 (2015). In petitioner's view, Section 1071(b)(3) does not contain the necessary evidence of congressional intent to override the American Rule, under which "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 247 (1975); see *Hardt* v. *Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-253 (2010).

a. Even if Section 1071(b) implicated the American Rule, the provision explicitly authorizes a departure from that background rule. For the reasons discussed above, the ordinary meaning of "expenses" incurred in connection with a "proceeding" includes attorney expenses. Section 1071(b)(3)'s reference to "all the expenses of the proceeding" thus expressly authorizes the district court to require the applicant to reimburse the PTO's attorney expenses.

Petitioner contends (Pet. 12) that a statute must refer to "attorney's fees" or "legal fees" in order to provide the explicit authorization necessary to override the American Rule. The Court, however, has not required Congress to use particular magic words in

authorizing an award of attorneys' fees; rather, it has simply required that the statutory text reflect congressional intent to authorize fees. See *Baker Botts*, 135 S. Ct. at 1264 (noting variety of phrases used in statutes that displace the American Rule, and suggesting that a reference to "litigation costs" would constitute sufficiently clear evidence of congressional intent). Section 1071(b)(3) uses a phrase ("expenses of the proceeding") that has traditionally been understood to encompass fees for attorney services, and its use of the modifier "all" confirms the provision's expansive scope. 15 U.S.C. 1071(b)(3). No additional evidence of congressional intent is necessary.[3]

b. In any event, the PTO's request for personnel expenses pursuant to Section 1071(b)(3) does not implicate the American Rule. That principle holds that "the prevailing litigant is ordinarily not entitled to collect a reasonable attorneys' fee from the loser." *Alyeska*, 421 U.S. at 247. As discussed above, howev-

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[3] Petitioner argues that "Congress has frequently used the term 'expenses' to signify a category of expenditure *distinct* from attorney's fees." Pet. 14 n.2 (citing, *e.g.*, 15 U.S.C. 6309(d), which provides for an award of "reasonable attorneys' fees and expenses"). Those statutes, however, do not suggest that attorney expenses are not included in the broader category of "expenses." Because the terms "fees," "expenses," and "costs" are commonly understood to denote overlapping categories, Congress's use of the terms together does not suggest that the terms refer to mutually exclusive categories of expenditures. See *Federal Practice and Procedure* § 2666 ("Both fees and costs are expenses but by no means constitute all of them."). In other statutes addressing litigation expenditures, moreover, the term "expenses" is used in ways that clearly encompass attorney's fees. See, *e.g.*, 28 U.S.C. 361 ("reasonable expenses, including attorneys' fees"); 52 U.S.C. 10310 ("reasonable attorney's fee, reasonable expert fees, and other reasonable litigation expenses").

er, the "expenses" authorized by Section 1071(b)(3) are best viewed as a counterpart to the application fees that are designed to defray the PTO's examination expenses. See pp. 12-13, *supra*. Those fees are imposed on both successful and unsuccessful patent applicants.

Like the fees imposed in connection with the initial examination, but unlike attorney's fees awarded under typical fee-shifting statutes, a plaintiff's obligation to pay "all the expenses of the proceeding" under Section 1071(b)(3) does not depend on whether the plaintiff obtains the relief he seeks. Rather, the statute "imposes a unilateral, compensatory fee," and applies it to "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." Pet. App. 10a. Although the "expenses" for which the PTO sought reimbursement in this case included portions of the salaries paid to two PTO attorneys, that is a natural consequence of the fact that Section 1071(b)(3) focuses specifically on expenses associated with court proceedings. The necessary involvement of agency attorneys in Section 1071(b) proceedings does not subvert the basic analogy to fees charged in the initial examination, which help to pay the salaries of PTO examiners who possess other forms of expertise.[4]

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[4] Contrary to petitioner's argument (Pet. 9-12), this Court's decision in *Baker Botts* does not suggest that the American Rule presumption is applicable here. The Court in *Baker Botts* held that the statutory authorization of "reasonable compensation" for "services rendered" to the estate administrator in a bankruptcy proceeding did not extend to fees for an attorney's defense of its fee application. 135 S. Ct. at 2165-2166. The Court had no occa-

That conclusion is reinforced by the manner in which the PTO's expenses were calculated here. When the government seeks an award of attorney's fees under a statute permitting the award of fees, the amount of the award is generally calculated based on the prevailing market rate for private counsel, regardless of the amount of the government's actual expenditure on the representation. See, *e.g.*, *NLRB* v. *Local 3, Int'l Bhd. of Elec. Workers*, 471 F.3d 399, 407 (2d Cir. 2006); cf. *Blum* v. *Stenson*, 465 U.S. 886, 895 (1984) ("reasonable fees" authorized by fee-shifting statutes are determined based on reasonable private market rates, regardless of actual cost of representation). Here, by contrast, the PTO did not urge the district court to use the traditional lodestar method in calculating the "expenses" to be awarded under Section 1071(b)(3). Rather, it sought reimbursement for the expenses it had actually incurred—namely, an amount that reflected the actual salaries of the relevant attorneys, prorated according to the amount of time each had spent on this suit. Pet. App. 31a.

3. Petitioner argues (Pet. 18-19) that the PTO previously "recognized that the expenses authorized by Section [1071(b)]" do not include personnel expenses. Petitioner is correct that, although the PTO has historically sought expert-witness fees and other expenses under Section 1071(b)(3) (and its patent-law counterpart, 35 U.S.C. 145), the agency's practice of seeking personnel expenses is more recent in origin. That shift reflects the PTO's growing concern about the

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sion to address the application of the American Rule to an unusual statute that authorizes a de novo proceeding on a claim rejected by an agency and requires the applicant to reimburse the agency's expenses in that proceeding.

increasing burden imposed by such proceedings. As the district-court suits have become more resource-intensive, the PTO has become increasingly reluctant, as a user-funded agency, to require other PTO users to subsidize the expenses of adjudication of a single user's application in a civil action.[5] Cf. *Hyatt*, 625 F.3d at 1337 (describing the "heavy economic burden" of Section 145 proceedings).

Relying exclusively on the government's briefs in *Robertson* v. *Cooper*, 46 F.2d 766 (4th Cir. 1931), petitioner suggests (Pet. 18-19) that the PTO previously took the position that Sections 145 and 1071(b) did not permit the award of personnel expenses. That is incorrect. In *Robertson*, the government sought reimbursement for travel expenses incurred by a PTO attorney, asserting that "it was clearly the intent of Congress that an applicant should pay all the expenses incurred by the government in proceedings of this kind." Gov't Reply Br. at 11, *Robertson*, *supra* (No. 3066); see *ibid.* ("*all* expenses, means *all*, just what it says"). In response to the applicant's assertion that the government's reading of the statute would permit it to request salaries of the judge, bailiff, and court clerk, as well as those of Patent Office attorneys, Appellee's Br. at 37, *Robertson*, *supra* (No. 3066), the government stated that "some of the items" the appli-

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[5] Petitioner contends (Pet. 18) that, because the PTO had not sought to recover personnel expenses under the predecessor provision in the Patent Act, Congress implicitly precluded the PTO from seeking those expenses when it adopted the same language in Section 1071(b)(3). But the PTO's failure to seek a particular type of expense in a specific court case, without more, cannot support any inference of congressional intent to preclude recovery of personnel expenses.

cant listed were "so remote they need not be seriously considered." Gov't Reply Br. at 10, *Robertson*, *supra* (No. 3066). That statement, which may have been directed at the suggestion that the government would seek to recover judicial expenses, was hardly a concession that PTO personnel expenses are not recoverable.

4. No other court of appeals has decided the question presented here, either under Section 1071(b)(3) or under its patent-law counterpart, Section 145, and the decision below is unlikely to have the adverse consequences petitioner predicts.

a. Petitioner acknowledges (Pet. 24) that there is no conflict in the circuits on the question presented. A disappointed trademark applicant may file an action under Section 1071(b) in any district court in which venue is otherwise proper, with appellate jurisdiction in the appropriate regional circuit.[6] See, *e.g.*, *Kellogg Co.* v. *Toucan Golf, Inc.*, 337 F.3d 616, 623 (6th Cir. 2003). Nonetheless, the Fourth Circuit is the only court of appeals to have construed the phrase "all the expenses" in Section 1071(b)(3). In addition, the Federal Circuit, which has exclusive appellate jurisdiction over patent suits filed under Section 145, has not yet addressed whether personnel expenses may be awarded under Section 145's corresponding language. See 35 U.S.C. 145 ("All the expenses of the proceedings shall be paid by the applicant.").

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[6] For inter partes actions—*i.e.*, those in which two private parties litigate the right to register a trademark—Section 1071(b)(4) designates the District Court for the Eastern District of Virginia as the default venue when the parties do not reside in the same State. 15 U.S.C. 1071(b)(4).

b. Petitioner contends (Pet. 20, 24-25) that this Court should not wait for a circuit conflict to develop because the decision below will "effectively eliminate[] Section [1071(b)] as a viable avenue for trademark applicants to obtain judicial review." Pet. 20. That concern is overstated. Under Section 1071(b)(3) and its patent-law counterpart, the PTO has long sought a variety of expenses, including expert-witness fees, and the amounts awarded often have significantly exceeded the personnel expenses awarded in this case. See, *e.g.*, Order, *Disney Enter., Inc.* v. *Rea*, No. 13-1540 (Fed. Cir. Dec. 20, 2013) (ordering payment of $91,609 in expenses); Order, *Hitachi Koki Co., Ltd.* v. *Dukas*, No. 07-cv-01504 (D.D.C. Mar. 30, 2011) (ordering plaintiff to pay $64,065.82, most of which represented expert fees, in expenses under Section 145); 07-cv-01504 Docket entry No. 66 (Aug. 17, 2009) (bill of expenses); Order, *Encyclopedia Brittanica* v. *Dickinson*, No. 98-0209 (D.D.C. Feb. 28, 2002) (ordering payment of $27,434.79 in disputed expert expenses, and noting that the parties had agreed on other expenses).

Notwithstanding the substantial expenses for which plaintiffs have historically been liable, disappointed applicants continue to file actions under Section 1071(b) and Section 145. Presumably those plaintiffs have weighed the potential costs of the de novo proceeding, including the obligation to pay the PTO's expenses, and concluded that the benefits of the proceeding outweigh those costs. See *Hyatt*, 625 F.3d at 1337 (When an "applicant decides to pursue [district court review], this may reflect a belief that the application at issue is or could be especially commercially significant; in such a case, the applicant likely believes

that the additional cost of [such an] action may be merited."). There is no reason to assume that potential Section 1071(b) plaintiffs who are unfazed by liability for significant expert fees and other costs will be deterred by the possibility that the PTO might also recover personnel expenses.

Any concern that plaintiffs will be unfairly burdened is mitigated by the district courts' discretion to deny "unreasonable" expenses. See 15 U.S.C. 1071(b)(3). And disappointed applicants for trademark registration who wish to avoid paying PTO personnel expenses can seek direct review before the Federal Circuit on the existing agency record rather than filing suit in district court. See 15 U.S.C. 1071(a). The Fourth Circuit's decision in this case, and the possibility that other courts will adopt the same construction of Section 1071(b)(3), may affect applicants' perceptions of the relative advantages and disadvantages of those alternative modes of review. But the creation of some financial disincentive to seeking de novo review is the natural and presumably intended consequence of Congress's decision to require Section 1071(b) plaintiffs, but not appellants under Section 1071(a), to pay "all the expenses of the proceeding."

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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