RECORD NO. 17-2458(L)
CROSS APPEAL NO. 17-2459

IN THE

United States Court of Appeals

FOR THE FOURTH CIRCUIT

BOOKING.COM B.V.,

Plaintiff-Appellee/Cross-Appellant,

v.

THE UNITED STATES PATENT AND TRADEMARK OFFICE; ANDREI IANCU, in his official capacity as Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office,

Defendants-Appellants/Cross-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
AT ALEXANDRIA

BRIEF OF *AMICUS CURIAE*
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF NEITHER PARTY

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
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No. 17-2458 & 17-2459 Caption: BOOKING.COM B.V. v. ANDREI IANCU

Pursuant to FRAP 26.1 and Local Rule 26.1,

AMERICAN INTELLECTUAL PROPERTY ASSOCIATION
(name of party/amicus)

who is AMICUS CURIAE, makes the following disclosure:
(appellant/appellee/petitioner/respondent/amicus/intervenor)

1. Is party/amicus a publicly held corporation or other publicly held entity? ☐ YES ☒ NO

2. Does party/amicus have any parent corporations? ☐ YES ☒ NO
If yes, identify all parent corporations, including all generations of parent corporations:

3. Is 10% or more of the stock of a party/amicus owned by a publicly held corporation or other publicly held entity? ☐ YES ☒ NO
If yes, identify all such owners:

4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation (Local Rule 26.1(a)(2)(B))? ☐ YES ☒ NO
If yes, identify entity and nature of interest:

5. Is party a trade association? (amici curiae do not complete this question) ☐ YES ☐ NO
If yes, identify any publicly held member whose stock or equity value could be affected substantially by the outcome of the proceeding or whose claims the trade association is pursuing in a representative capacity, or state that there is no such member:

6. Does this case arise out of a bankruptcy proceeding? ☐ YES ☒ NO
If yes, identify any trustee and the members of any creditors' committee:

Signature: /s/ Theodore H. Davis Jr. Date: 3/19/2018

Counsel for: AMERICAN INTELLECTUAL PROPERTY ASSOCIATION

CERTIFICATE OF SERVICE

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I certify that on MARCH 19, 2018 the foregoing document was served on all parties or their counsel of record through the CM/ECF system if they are registered users or, if they are not, by serving a true and correct copy at the addresses listed below:

/s/Theodore H. Davis Jr. 3/19/2018
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I. STATEMENT OF INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association ("AIPLA"), which files this brief with the written consent of both parties, is a national bar association of approximately 13,500 members engaged in private and corporate practice, in government service, and in academia. AIPLA's members represent a diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. AIPLA's mission includes providing courts with objective analyses to promote an intellectual property system that stimulates and rewards invention, creativity, and investment while accommodating the public's interest in healthy competition, reasonable costs, and basic fairness. AIPLA has no stake in any of the parties to this litigation or in the result of this case.[1] AIPLA's only interest is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues.

[1] After reasonable investigation, AIPLA believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than AIPLA, its members who authored this brief, and their law firms or employees, made a monetary contribution to the preparation or submission of this brief.

II. INTRODUCTION

Section 20 of the Lanham Act, 15 U.S.C. § 1070, allows an unsuccessful applicant for a trademark registration from the United States Patent and Trademark Office ("PTO" or the "Office") to appeal to the Trademark Trial and Appeal Board ("TTAB") from any final decision of the examiner handling the application. If dissatisfied with the TTAB's decision, the applicant may either appeal on the existing record to the U.S. Court of Appeals for the Federal Circuit pursuant to Section 21(a) of the Act, 15 U.S.C. § 1071(a), or bring an action for review under Section 21(b) of the Act, *id.* § 1071(b). In a Section 21(b) appeal, the record before the TTAB automatically becomes part of the record before the district court, and "the parties have an unrestricted right to submit further evidence as long as it is admissible under the Federal Rules of Evidence and Civil Procedure." *Swatch AG v. Beehive Wholesale, LLC*, 739 F.3d 150, 155 (4th Cir. 2014). Section 21(b) is not without its burdens for applicants, however. In particular, Subsection (3) of that statute provides that—win or lose—an applicant availing itself of a Section 21(b) appeal is responsible for paying "all the expenses of the proceeding." 15 U.S.C. § 1071(b)(3). Neither Section 21(b)(3) nor the remainder of the Lanham Act defines "expenses."

The salient language of Section 21(b)(3) of the Lanham Act is identical to that found in Section 145 of the Patent Act, 35 U.S.C. § 145. Since the mid-

Nineteenth Century, the PTO has interpreted Section 145 as covering only out-of-pocket expenses, including printing costs, counsel's deposition travel costs, court reporter fees and expert witness fees, but not attorney's fees. In 2014, however, the PTO concluded its long-held reading of the statutory language was incorrect and that the required payment of "all the expenses of the proceeding" also includes the prorated salaries of the PTO attorneys and paralegals who worked on the case. As the PTO now reads Section 145 and Section 21(b)(3), even an applicant proving in district court that the Office was wrong in rejecting its claims must pay for the privilege of vindicating these rights by reimbursing the PTO for *pro rata* staff salaries incurred by the Office in the district court proceeding.

In *Shammas v. Focarino*, 784 F.3d 219 (4th Cir. 2015), which arose from an unsuccessful Section 21(b) appeal in the district court, a divided panel of this Court sustained the Office's new-found interpretation of Section 21(b)(3) over a dissenting opinion by Judge King. In doing so, the *Shammas* majority held that interpretations of Section 21(b)(3) were not subject to the "American Rule," pursuant to which parties are ordinarily required to bear their own attorney's fees in the absence of a clear and express statement of congressional intent to the contrary. Under the majority's analysis, "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." *Id.* at 223.

Like *Shammas*, this proceeding arises from an appeal to a district court under Section 21(b). Unlike *Shammas*, the applicant in this case, Booking.com, prevailed before the district court and therefore successfully secured a reversal of the Office's refusal to register several of its marks. Despite that success, the district court has ordered Booking.com to reimburse the Office for $51,472.53 in "expenses," consisting of $50,018.70 in attorneys' fees and $1,453.83 in paralegal fees, an outcome that turns the usual rules governing fee awards to prevailing parties on their head.

AIPLA believes it critically important that intellectual property owners have an equal opportunity to exercise all rights and remedies provided by Congress in the Lanham Act, regardless of those owners' means. Likewise, the First Amendment right to petition the government for redress of grievances includes access to the judicial process. The PTO's sudden attempt to shift a portion of its fixed costs to Section 21(b) appellants will effectively bar many applicants from exercising these important constitutional and congressionally created rights. This Court therefore should revisit the barrier to full and fair access to justice erected by *Shammas*.[2]

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[2] AIPLA does not take a position on the registrability of Booking.com's marks. In arguing that Section 21(b) does not contemplate the automatic imposition of attorneys' fees and staff costs on all appellants, AIPLA also does not mean to suggest the PTO is without recourse should an appellant engage in litigation-related misconduct. The Federal Rules of Appellate Procedure authorize awards of fees to reimburse the expenses of frivolous appeals, Fed. R. App. P. 38, and federal district courts also may award fees if a litigant has "unreasonably and vexatious-

III. SUMMARY OF ARGUMENT

On its face, the statutory phrase "all expenses of the proceeding" found in Section 21(b)(3) does not include attorneys' fees, which are addressed in Section 35 of the Lanham Act, 15 U.S.C. § 1117. Section 21(b)(3) also neither defines "expenses" nor otherwise indicates that the word includes reimbursement of PTO fixed costs. Because the statutory language is silent on the issue of attorneys' and paralegals' fees, the Court must determine the applicable principles of statutory interpretation before construing the statute.

Shammas addressed only one such principle, namely the American Rule. It did not address others, one of which is whether the PTO's newly expansive reading of the statute would contravene the common law. On that issue, the Supreme Court has repeatedly held that Congress must be clear and explicit when it intends legislation to deviate from common law. Because fee shifting of any stripe was unknown at common law, legislation to require fee shifting must do so with clear and explicit language. Especially because the PTO already recovers virtually all its annual "expenses" through user fees, its interpretation of Section 21(b) as requiring

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ly" multiplied the proceedings in a case. *See* 28 U.S.C. § 1927. Federal courts likewise have the inherent power to award fees if bad-faith litigation practices by the parties or other considerations justify them, *see, e.g.*, *Coen Co. v. Pan Int'l, Ltd.*, 307 F.R.D. 498, 508 (N.D. Cal. 2015), and also may impose awards of fees in the form of sanctions under Rule 11 of the Federal Rules of Civil Procedure, or, in the case of discovery violations, under Rule 37. Like any other litigant, the PTO should be protected against misconduct falling within the scope of these mechanisms.

appellants to pay the fees of PTO staff attorneys participating in the proceeding, win or lose, is the kind of dramatic departure from common law that must be supported by a clear and express statement of congressional intent to do so.

Other relevant principles of statutory construction similarly not addressed by *Shammas* are specific to interpretations of the Lanham Act. The most important of these arises from *Fleischmann Distilling Co. v. Maier Brewing Co.*, 386 U.S. 714 (1967), in which a prevailing litigant sought an award of attorneys' fees—a remedy not then expressly recognized anywhere in the Act—as a component of its taxable costs. The Court rejected that attempt to claim an extrastatutory fee award, holding that "§ 35 of the Lanham Act … mark[s] the boundaries of the power to award monetary relief in cases arising under the Act," and also that "[a] judicially created compensatory remedy in addition to the express statutory remedies [contained in that section] is inappropriate …." *Id.* at 721. Because the current version of Section 35 *expressly* defines the circumstances under which litigants may recover fees under the Lanham, Act, any holding that Section 21(b)(3) *implies* such a remedy cannot be reconciled with the Supreme Court's guidance in *Fleischmann Distilling*. Moreover, such a holding is equally irreconcilable with the ruling in *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004), that Congress is presumed to act intentionally and purposefully when it includes particular language in one part of the Lanham Act and omits it from another.

The failure to heed these principles, as well as Congress's tradition of distinguishing between expenses and attorneys' fees in other contexts, is of no small consequence. On the contrary, that failure places the investment required for a Section 21(b) appeal within the exclusive control of the PTO. Appellants exercising their statutory and constitutional rights to such an appeal therefore risk the imposition of what amounts to a hypertrophied filing fee in an amount to be determined perhaps years later. Especially because the PTO already recovers virtually all its annual expenditures through user fees, neither the Lanham Act's express terms nor any public policy concerns warrant such an approach.

IV. ARGUMENT

This case involves the statutory interpretation of language in Section 21(b)(3) of the Lanham Act, 15 U.S.C. § 1071(b)(3): "[A]ll 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." Until 2014, the PTO read those words as entitling it to recover only its outlays incurred in district court proceedings, such as expert fees, transcript costs, and the like. Whatever the merits of the PTO's new interpretation, this much is indisputable: for decades, reasonable minds at the PTO did not read identically worded language in Section 145 of the Patent Act as including PTO staff time.

Moreover, imposing the *pro rata* costs of a government agency's staff on a private party seeking to obtain a constitutionally grounded property right is unusual. Indeed, other than the rulings in *Shammas* and in the now-vacated Federal Circuit decision of *Nantkwest, Inc. v. Matal*, 860 F.3d 1352 (Fed. Cir.), *reh'g en banc granted*, *opinion vacated*, 869 F.3d 1327 (Fed. Cir. 2017), AIPLA has been unable to find any court decision interpreting a statutory provision to require litigants to pay government salaries when asserting their rights to district court appeals.

A. Section 21(b) Does Not Provide for Awards of Attorney's Fees

1. Common-Law Principles Govern in the Absence of "Clear" and "Explicit" Congressional Intent to Deviate From Them

The plain language in Section 21(b) does not expressly provide for an award of attorney's fees. It merely states that an applicant must pay "all the expenses of the proceeding," but neither defines nor details just what "expenses" means. The statute is silent on whether such expenses include the "value of the PTO staff time," "attorney's fees" or a *pro rata* share of the PTO's attorney's salaries. Accordingly, in discerning whether Congress intended the words "all the expenses of the proceeding" to include "reimbursement of PTO fixed costs" as advanced by the Office, the first step is to determine the relevant rule of construction to apply to that language. Under these statutory interpretation principles, the absence of a clear directive by Congress handily refutes the PTO's position.

Much of the focus in earlier submissions and in the few cases construing this part of Section 21(b) or similar language in other statutes has centered on whether the "all the expenses" language conflicts with the American Rule, which requires parties in lawsuits to bear their own attorney's fees. If so, the argument goes, the statutory construction principles attendant to the American Rule apply and "if Congress wishes to overcome either premise underlying the American Rule, it must express its intent to do so clearly and directly." *In re Crescent City Estates, LLC*, 588 F.3d 822, 825 (4th Cir. 2009).

The *Shammas* panel held the American Rule did not apply because the statute did not constitute a fee-shifting provision, a holding necessarily dependent on the proposition that the word "expenses" includes attorneys' fees. 784 F.3d at 223-24. That aspect of *Shammas* does not necessarily bind all future panels of this Court that might address the same issue. *See McMellon v. United States*, 387 F.3d 329, 334 (4th Cir. 2004). In any case, the Court need not address the American Rule to find the PTO's reading of Section 21(b) incorrect, because there is another reason for requiring a clear and direct statement of Congressional intent in this case. For purposes of statutory construction, an interpretation of a statute contravening the common law must be supported by a clear and direct statement by Congress that it intended to do so. Thus, the PTO's interpretation must rest on a clear and direct statement of congressional intent to impose attorneys' fees on Section 21(b) appellants, and this requirement exists independent of any consideration of the American Rule.

Specifically, the Supreme Court has made clear that cost-shifting of any stripe did not exist at common law. *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 564 (2012) ("[T]he taxation of costs was not allowed at common law ...." (citing *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 247-48 (1975))). Therefore, this Court need not decide whether the American Rule applies to resolve this issue because any statute awarding costs, expenses or fees departs from the common law, and, accordingly, must be strictly construed. *Crescent City Estates*, 588 F.3d at 826 (Because fee-shifting statutes are 'in derogation of the common law,' courts are obligated to construe them strictly ....").

The Supreme Court has repeatedly emphasized that interpretations of statutes conflicting with the common law must rest on clear and explicit language that Congress intended to displace the common law. *Norfolk Redevelopment & Hous. Auth. v. Chesapeake & Potomac Tel. Co. of Va.*, 464 U.S. 30, 35 (1983). *Norfolk* involved eminent domain law, but the same principle has been applied or discussed in numerous contexts. *See, e.g.*, *United States v. Texas*, 507 U.S. 529, 534 (1993) (Federal Debt Collection Act) (statutes invading common law presume "favor[ing] the retention of long-established and familiar principles, *except when the statutory purpose to the contrary is evident*.... In order to abrogate a common-law principle, the *statute must 'speak directly'* to the question addressed by the common law." (emphasis added) (citations omitted)); *Samantar v. Yousuf*, 560 U.S. 305, 320 n.13

(2010) (sovereign immunity) ("We interpret the statute with the presumption that Congress intended to retain the substance of common law."); *Nken v. Holder*, 556 U.S. 418, 433 (2009) (immigration) (government failed to overcome presumption that common law prevailed absent "evident" statutory expression to the contrary).

This principle has been repeatedly applied in fee-shifting cases as well. *See Baker Botts L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) (collecting cases) ("The American Rule has roots in our common law reaching back to at least the 18th century ... and '[s]tatutes which invade the common law are to be read with a presumption favoring the retention of long-established and familiar [legal] principles.'" (citations omitted)). Thus, the "explicit expression" requirement in the American Rule cases discussed in *Shammas* exists because it is at odds with the common law and not simply because it may or may not involve application of the American Rule.

Statutes allegedly deviating from the common law therefore must "speak directly," be "clear and explicit," and "clearly express" how they are meant to stray from the common law. That deviation also must be "evident." It is not enough that the phrase "all the expenses of the proceeding" *may* be read to include the reimbursement of the *pro rata* share of PTO staff salaries or *could* mean that PTO staff salaries are included; rather, the repayment of staff salaries *must* be evident.

The PTO's own conduct in changing its interpretation of this language in

Section 21(b) shows that the statute is not clear and explicit. If, in fact, Section 21(b)'s requirement that "all the expenses of the proceeding shall be paid by the party bringing the case" "clearly expressed" an obligation to repay the Office for staff time, the PTO would not have taken nearly two centuries to recognize it. Whatever arguments the PTO may employ today to conclude that Section 21(b) requires applicants to pay staff wages, the fact remains that for decades the PTO read the same words and thought otherwise. There are no words in the statute that expressly mandate shifting the PTO's internal costs to applicants.

Indeed, there is no need for such a shift because *the PTO already funds virtually all its annual operations, including attorney and staff expenses, by collecting user fees*. As the Federal Circuit has explained, "[t]rademark registration fees are collected and, '[t]o the extent and in the amounts provided in advance in appropriations Acts," made available "to carry out the activities of the [PTO].' However, since 1991 these appropriations have been funded entirely by registration fees, not the taxpayer." *In re Tam*, 808 F.3d 1321, 1353 (Fed. Cir. 2015) (second and third alterations in original) (quoting 35 U.S.C. § 42(c)(1)), *as corrected* (Feb. 11, 2016), *aff'd sub nom. Matal v. Tam*, 137 S. Ct. 1744 (2017). The issue presented by the PTO's interpretation of Section 21(b) therefore is not the *recovery* of its investment in an appeal brought under that statute but instead a *double recovery* from appellants under that section, which already have shouldered their share of the

PTO's expenses through payment of their filing fees.

2. Other Basic Statutory Construction Principles, Including Those Uniquely Applicable to the Lanham Act, Render the PTO's Interpretation Untenable

Other fundamental principles of statutory construction, including those recognized by the Supreme Court as applicable to the Lanham Act, also make the PTO's interpretation incorrect. In *Fleischmann Distilling Co. v. Maier Brewing Co.*, 386 U.S. 714 (1967), the Supreme Court held that the then-extant version of the Act did not contemplate fee awards in litigation brought under it. Specifically, the Court rejected the argument that the ability of prevailing parties to recover "the costs of the action" under Section 35 of the Act allowed those parties to recover their attorneys' fees as well. The Court's holding on this point merits reproduction at length:

> [R]ecognized exceptions to the [American] rule were not … developed in the context of statutory causes of action for which the legislature had prescribed intricate remedies. Trademark actions under the Lanham Act do occur in such a setting. For, in the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed. It provided not only for injunctive relief, but also for compensatory recovery measured by the profits that accrued to the defendant by virtue of his infringement, the costs of the action, and damages which may be trebled in appropriate circumstances…. When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not readily be implied…. We therefore conclude that *Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act. A judicially created compensatory remedy in addition to the express statutory remedies is inappropriate in this context*.

Id. at 719-21 (emphasis added) (footnote omitted) (citations omitted).[3]

Congress responded to *Fleischmann Distilling* by enacting Pub. L. No. 93-600, 88 Stat. 1955 (1975), which accomplished two things relevant to this appeal. The first made certain procedural amendments to Section 21(b), which Congress did while retaining the "all the expenses of the proceeding" language contained in that section. In so acting nearly four decades before the PTO adopted its current position, Congress knew the PTO historically had not interpreted "all the expenses of the proceeding" to include PTO staff salaries but did nothing to change this language.[4] If Congress sought to expand the definition of "expenses of the proceeding," it would have said so: "Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it reenacts a statute without change ...." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527

[3] This Court applied much the same principle in *Shakespeare Co. v. Silstar Corp. of Am.*, 9 F.3d 1091 (4th Cir. 1993), in which it heard an appeal from the cancellation of a federal registration covering a claimed mark found to be functional. This Court reversed the cancellation, holding that "the district court erred in canceling … the trademark [registration] held by [the plaintiff] on the ground[] that it is functional, because that is not an authorized ground for cancellation under [the Lanham Act]." *Id.* at 1099; *cf. Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 197-98 (1985) (holding that "nothing in the legislative history of the Lanham Act supports a departure from the plain language of" Section 33(b) of the Act, 15 U.S.C. § 1115(b)").

[4] Likewise, when Congress adopted the America Invents Act, it made substantive changes to Section 145 of the Patent Act (*e.g.*, changing the venue from the District of Columbia to the Eastern District of Virginia). Nevertheless, it kept the language "all the expenses of the proceeding shall be paid by the party bringing the case" in that section. That occurred in 2011, two years before the PTO adopted its current position with respect to both Section 145 and Section 21(b)(3).

(1994) (citations omitted).

Second, Pub. L. No. 93-600 amended Section 35(a) of the Lanham Act to provide for fee awards to prevailing parties in infringement and unfair competition litigation under the Act. As revised by that legislation, Section 35(a) authorizes the imposition of fees upon the losing party in "exceptional cases." 15 U.S.C. § 1117(a). Likewise, following congressional passage of the Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 1837 (1984), Section 35(b) has made such an award virtually mandatory in cases in which a defendant has been found liable for trafficking in goods or services associated with counterfeit marks. 15 U.S.C. § 1117(b). The Lanham Act's treatment of monetary relief therefore is considerably more "meticulously detailed" than it was when the Court decided *Fleischmann Distilling* in 1967, yet the Act still does not expressly contemplate awards of fees in Section 21(b) appeals.

Finally, the Supreme Court has held when interpreting the Lanham Act 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." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118 (2004) (alteration omitted) (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)). Here, Congress chose to make attorney's fees available under the express text of Section 35(a) and Section 35(b) but did not make the same choice with respect to Section 21(b)(3). Any holding that "expenses" under Section 21(b)(3) has a meaning identical to "attorneys fees" in Sections 35(a) and 35(b) therefore suffers from an infirmity in addition to its fatal inconsistency with *Fleischmann Distilling*'s holding that Section 35—and *only* Section 35—defines the circumstances under which fee awards ordinarily are appropriate in litigation under the Act.

3. No Reading of "All the Expenses of the Proceeding" Can Support Reimbursement of Staff Salaries

Congress has the power to shift a portion of PTO fixed costs to an applicant, but the issue is whether the phrase "all the expenses of the proceeding" "expressly" and "clearly" provides for that reimbursement. Courts construing terms in a statute must give those terms their ordinary, contemporary, common meaning at the time Congress enacted the statute: As the Supreme Court has explained, "where Congress uses a common-law term in a statute, we assume the 'term ... comes with a common law meaning, absent anything pointing another way.'" *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 101 (2011) (alteration in original) (quoting *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 58 (2007)). Here, when Congress first adopted the identically worded Section 145 of the Patent Act, 35 U.S.C. § 145, in 1839, he words "expense," "cost" and "damage" were considered synonymous. *Nantkwest*, 860 F.3d at 1362 (Stoll, J., dissenting) (citing Peter Mark Roget, *Thesaurus of English Words and Phrases* 227 (Barnas Sears ed. 1856)). Beyond *Fleischmann Distil-*

ling's holding that "costs" do not include attorneys' fees, the Supreme Court has held at least twice that "damages" does not include the same remedy. *See Summit Valley Indus. v. Local 112, United Bhd. of Carpenters & Joiners of Am.*, 456 U.S. 717, 722–23 (1982); *Arcambel v. Wiseman*, 3 U.S. 306, 306 (1796). If, as a matter of law, "costs" and "damages" cannot mean attorney's fees, then nothing suggests the synonym "expense" includes them.

Moreover, the Supreme Court has noted that a court construing the words of a statute should look at the use of those words in common parlance. "That a definition is broad enough to encompass one sense of a word does not establish that the word is *ordinarily* understood in that sense." *Taniguchi*, 566 U.S. at 568. Here, an appropriate benchmark is usage in 1839, when Congress first adopted identical language as part of Section 145 of the Patent Act. Not only did the PTO in 1839 not read "expenses of the proceeding" in that statute as including the *pro rata* cost of the office's staff, nobody did when Congress amended the Patent Act in 1870, 1927, 1952 or 2011, either. That the PTO began in 2013 to reinterpret Section 145 and Section 21(b) after Congress amended a different part of the statute in 2011 to include staff salary reimbursement hardly establishes the intent of the drafters of the original and unchanged language nearly 200 years ago.

The *Shammas* majority pointed to a contemporary edition of Black's Law Dictionary as defining "expenses" as "expenditure[s] of money, time, labor or resources to accomplish a result." 784 F.3d at 222. That definition, of course, simply begs the question because it fails to define "expenditure." Black's actually defines "expenditure" as "spending or using money, time, energy, etc.; esp., the disbursement of funds." *Black's Law Dictionary* 698 (10th ed. 2014). Moreover, "common parlance" almost always defines "expenses" in terms of payments made or specific outlays or out-of-pocket payments, not fixed costs like salaries.

Similarly, whenever Congress believed the term "expenses" should include attorney's fees, it has made that distinction apparent: Indeed, the United States Code is replete with examples of statutes expressly recognizing the difference between those two concepts. *See, e.g.*, 2 U.S.C. § 396 (authorizing reimbursement of "reasonable expenses of the contested election case, including reasonable attorneys fees"); 10 U.S.C. § 2409(c)(1)(C) (providing for payment of "an amount equal to the aggregate amount of all costs and expenses (including attorneys' fees and expert witnesses' fees)"); 11 U.S.C. § 363(n) (authorizing recovery of "any costs, attorneys' fees, or expenses incurred"); 12 U.S.C. § 1464(d)(1)(B)(vii) (providing for awards of "reasonable expenses and attorneys' fees"); *id.* § 1786(p) (providing for reimbursement of "reasonable expenses and attorneys' fees"); *id.* § 5005(b)(2)(B) (providing defining permissible recovery of "interest and expenses (including costs and reasonable attorney's fees and other expenses of representation)"); 15 U.S.C. § 77z-1(a)(6) (discussing "[t]otal attorneys' fees and expenses" that can be awarded by court); *id.* § 2310(d)(2) (permitting recovery of sum "equal to the aggregate amount of cost and expenses (including attorneys' fees based on actual time expended)"); 25 U.S.C. § 1401(a) (discussing "payment of attorney fees and litigation expenses"); 26 U.S.C. § 6673(a)(2)(A) (allowing recovery of "excess costs, expenses, and attorneys' fees"); 28 U.S.C. § 1447(c) ("An order remanding the case may require payment of just costs and any actual expenses, including attorney fees, incurred as a result of the removal."); 29 U.S.C. § 1370(e)(1) ("[T]he court in its discretion may award all or a portion of the costs and expenses incurred in connection with such action, including reasonable attorney's fees ...."); 30 U.S.C. § 938(c) (authorizing recovery of "a sum equal to the aggregate amount of all costs and expenses (including the attorney's fees)"); 31 U.S.C. § 3730(d)(1) ("Any such person shall also receive an amount for reasonable expenses which the court finds to have been necessarily incurred, plus reasonable attorneys' fees and costs."); 33 U.S.C. § 1367(c) (providing for assessment of "a sum equal to the aggregate amount of all costs and expenses (including the attorney's fees)"); 38 U.S.C. § 4323(h)(2) ("[T]he court may award any such person who prevails in such action or proceeding reasonable attorney fees, expert witness fees, and other litigation expenses."); 41 U.S.C. § 4705(d)(1)(C) (noting that head of agency may "[o]rder the contractor to pay the complainant an amount equal to the aggregate amount of all costs and expenses (including attorneys' fees and expert witnesses' fees) that the complainant reasonably incurred"); 42 U.S.C. § 247d-6d(e)(9) (permitting party to recover "reasonable expenses incurred ... including a reasonable attorney's fee").

That Congress has at times stated that "expenses" includes attorneys' fees, does not mean the definition of "expenses" ordinarily includes such fees; on the contrary, the need to elucidate "attorneys' fees" as part of "expenses" underscores that, in common parlance, one would not expect "expenses" to include those charges. This is particularly true where Congress has expressly provided for attorneys' fees elsewhere in the statute, as in Section 35. It certainly does not suggest that "expenses" could ever mean *pro rata* reimbursement of the Office's fixed costs. Nor does the modifier "all" extend the term "expenses" to include attorneys' fees where there is no basis for concluding that Congress intended that term, modified or unmodified, to include attorneys' fees. In short, even a plain reading of the phrase "all the expenses of the proceeding" does not lead to the PTO's desired conclusion; rather, the strict construction necessary here shows that reading to be incorrect.

B. The PTO's Position Creates a Significant Barrier to the Exercise of an Important Right

Section 21(b) provides important rights to a trademark applicant that are otherwise unavailable under the Act. As this Court recognized in *Shammas*, Section 1071 not only permits an applicant to introduce new evidence in the district court action, it also allows the district court judge to make *de novo* findings of fact if the evidence conflicts with any related PTO finding. *Shammas*, 784 F.3d at 225. Adoption of the PTO's staff-reimbursement reading of the statute will make it impossible for some applicants to pursue an action in the district court.

Of perhaps equal importance, the PTO's position implicates more than just a statutory right. The First Amendment encompasses a right of access to the judicial system. *See Cal. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972). Specifically, "the right of access to the courts is an aspect of the First Amendment right to petition the Government for redress of grievances." *Bill Johnson's Rests., Inc. v. N.L.R.B.*, 461 U.S. 731, 741 (1983). Moreover, it is equally apparent that the conditioning of that right of access on the payment of fees can under some circumstances violate the Amendment's protection. *See. e.g., Carter v. United States*, 733 F.2d 735, 737 (10th Cir. 1984) (holding that required payment of fees unduly burdened indigent prisoner's constitutional right of access to the courts). Specifically, pricing a court action out of reach for an applicant is an inappropriate bar to court access:

> [O]ther alternatives exists to fees and cost requirements as a means for conserving the time of courts and protecting parties from frivolous litigation, such as penalties for false pleading or affidavits, and actions for malicious prosecution or abuse of process, to mention only a few.

Boddie v. Connecticut, 401 U.S. 371, 381-82 (1971).

In this case, the PTO seeks reimbursement of over $51,000 in attorney's fees and staff costs, reflecting the cost of *five* PTO lawyers and one paralegal who worked on the matter. *Booking.com, B.V., v. Matal*, No. 1:16-cv-425 (LMB/IDD), 2017 WL 4853755, at *9 (E.D. Va. Oct. 26, 2017). Assuming this case reflects typical PTO reimbursement costs, an applicant seeking to exercise its Section 21(b) rights easily could expect to pay the PTO multiple times the cost of what it already had paid to prosecute its trademark application, not including the cost of its own attorneys in pursuing the appeal. The PTO's reimbursement request here does not appear to be an anomaly.

The PTO's position renders a practitioner's ability to counsel a client on basic budgeting extraordinarily difficult. Rarely does a client tell a lawyer to proceed regardless of cost. Counsel for Section 21(b) appellants have no control over how the PTO will staff a matter, let alone how many hours the Office will spend on it. Thus, the lawyer's ability to estimate costs for the client will rest on guesswork. Absent a clear directive from Congress, no applicant should be exposed to such financial uncertainty.

The long history and importance of the rights contained in Section 21(b) were recognized by the Federal Circuit's interpretation of the identically worded Section 145 in *Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010), *aff'd*, 566 U.S. 431 (2012), particularly with respect to the ability to introduce new evidence in the proceeding. *Hyatt* acknowledged the risk of procedural gamesmanship presented by the options of district court or Federal Circuit review. However, it concluded that the imposition of expenses on the plaintiff in the district court was the statute's way of addressing that risk, and rejected the PTO's position that prohibiting new evidence would provide additional necessary deterrence. *Hyatt*, 625 F.2d at 1337. Nothing in *Hyatt* (nor in the PTO's 2010 submissions in that case) suggests that the risk of gamesmanship should also be deterred by expanding the understanding of "expenses" to include attorneys' fees. Imposing the costs of experts and transcripts on applicants is one thing; exponentially increasing the cost of exercising a statutory and constitutional right is quite another. Without the clear direction of Congress, this Court should not permit the PTO to set the price of admission so high that many appellants will be forced to choose not to exercise their rights.

V. CONCLUSION

For the reasons set forth above, AIPLA respectfully requests this Court to hold that 15 U.S.C. § 1071(b) does not provide for attorneys' fees or *pro rata* reimbursement of PTO staff salaries.

Date: March 19, 2018

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UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT
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No. 17-2458(L) **Caption:** Booking.com B.V. v. Iancu

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