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Might You Have to Pay the USPTO's Attorneys' Fees?

By Jacquelyn Prom



In December, 2019, the Supreme Court decided *Peter v. NantKwest, Inc.*,¹ clarifying that the USPTO cannot recover its attorneys' fees from an applicant challenging the denial of a patent application via a district court action, despite language in the Patent Act that requires such applicants to pay "all expenses of the proceeding."²

The U.S. Trademark Act ("Lanham Act") contains identical statutory language. Section 1071 requires trademark applicants that challenge the refusal of a trademark registration by filing a district court action to pay "all the expenses of the proceeding."³

Section 1071 has been interpreted to mean that trademark applicants challenging the refusal of a registration in a district court action must pay the USPTO's attorneys' fees in defending the case, regardless of its outcome. The Supreme Court's *Peter v. NantKwest* decision calls this position into question and may pave the way for trademark applicants to appeal from the refusal of a trademark registration in a district court action without having to worry about paying the USPTO's attorneys' fees.

Section 1071 of the Lanham Act

When the Trademark Trial and Appeal Board ("TTAB") refuses registration of a trademark application, Section 1071 of the Lanham Act provides two avenues of appeal.⁴ The first, and most common, is an appeal to the Federal Circuit Court of Appeals on the existing record. The second, which is usually more extensive, is a *de novo* civil action in a federal district court. In this second type of action applicants can add new evidence to the record, including surveys. This additional evidence can bolster the applicants' position and affect the outcome of the appeal. For this reason, applicants may choose to file a district court action, especially when the mark in question is crucial. That said, even though a district court action provides an opportunity to better support your case, it comes at a price.

When a trademark applicant files an appeal from an adverse TTAB decision in a district court, the Lanham Act states: "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."⁵ In other words, the applicant will be required to pay the USPTO's expenses, regardless of whether the USPTO prevails.

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ATTORNEYS' FEES. ”

1. Case No. 18-801, 2019 WL 6719083 (U.S. Dec. 11, 2019).

2. 35 U.S.C. § 145.

3. 15 U.S.C. § 1071(b)(3).

4. 15 U.S.C. § 1071.

5. 15 U.S.C. § 1071(b)(3).

This statutory provision has recently been interpreted to mean that applicants seeking review of a TTAB decision in a district court are required to pay the attorneys' fees of the USPTO. In *Shammas v. Focarino*,⁶ the Fourth Circuit affirmed the lower court's award of such fees in a district court action brought by a trademark applicant seeking review of the TTAB's decision to deny its trademark application.

The Fourth Circuit reasoned that "§ 1071(b)(3) [of the Lanham Act] imposes a unilateral, compensatory fee, including attorneys [sic] fees, on every ex parte applicant who elects to engage the resources of the PTO when pursuing a de novo action in the district court, whether the applicant wins or loses . . ." ⁷ The Fourth Circuit also concluded that the 'American Rule,' which states that each party pays its own attorneys' fees absent a statute providing otherwise, did not apply to Section 1071 of the Lanham Act.

Based on this interpretation of Section 1071 of the Lanham Act, it has been presumed that trademark applicants seeking review of an adverse ex parte TTAB decision in a district court will be required to pay the USPTO's attorneys' fees. The Supreme Court's recent *Peter v. NantKwest* decision, however, sheds doubt on this interpretation.

Section 145 of the Patent Act and *Peter v. NantKwest*

Section 145 of the Patent Act mirrors Section 1071 of the Lanham Act, offering patent applicants seeking an appeal from an adverse ex parte Patent Trial and Appeal Board ("PTAB") decision two options: (1) an appeal to the U.S. Court of Appeals for the Federal Circuit; or (2) a civil *de novo* review action by the district court in the Eastern District of Virginia.⁸ For actions commenced in the district court, the Patent Act requires applicants to pay "[a]ll the expenses of the proceedings."⁹

For the first time, the USPTO attempted to recover its attorneys' fees for a civil action seeking review of an *ex parte* PTAB decision in *Peter v. NantKwest*. The USPTO requested reimbursement of the pro rata salaries of the USPTO attorneys and paralegals that worked on the case. The district court denied the USPTO's request for attorneys' fees, a divided Federal Circuit panel reversed, but the *en banc* Federal Circuit reheard the case and reversed the panel, holding the USPTO could not recover its attorneys' fees under Section 145 of the Patent Act. The Supreme Court granted *certiorari* on the issue of whether "expenses" in Section 145 of the Patent Act includes the salaries of the USPTO attorneys and paralegals. The Supreme Court held it did not.

The Supreme Court reasoned that nothing in Section 145 of the Patent Act suggested that Congress intended to depart from the long-standing American Rule, stating: "Simply put, in common statutory usage, the term 'expenses' alone has never been considered to authorize an award of attorney's fees with sufficient clarity to overcome the American Rule presumption."¹⁰ The Supreme Court also noted that in other sections

of the Patent Act, Congress explicitly provided for the recovery of attorneys' fees under other circumstances. Since Congress obviously knows how to permit recovery of attorneys' fees, the fact that it did not do so explicitly in Section 145 was determinative.

The Supreme Court therefore unanimously decided that Section 145 of the Patent Act does not require patent applicants to pay USPTO attorneys' fees in a district court proceeding.

SINCE THE "EXPENSES" LANGUAGE IN SECTION 145 OF THE PATENT ACT IS IDENTICAL TO THE "EXPENSES" LANGUAGE IN SECTION 1071 OF THE LANHAM ACT, THE SUPREME COURT'S REASONING IN *PETER V. NANTKWEST* IS LIKELY TO INFORM THE INTERPRETATION OF SECTION 1071 OF THE LANHAM ACT GOING FORWARD.

Impact of *Peter v. NantKwest* on the Interpretation of Section 1071 of the Lanham Act

Since the "expenses" language in Section 145 of the Patent Act is identical to the "expenses" language in Section 1071 of the Lanham Act, the Supreme Court's reasoning in *Peter v. NantKwest* is likely to inform the interpretation of Section 1071 of the Lanham Act going forward. As in the Patent Act, Congress explicitly provided for the recovery of attorneys' fees elsewhere in the Lanham Act, suggesting it did not intend for the word "expenses" to include attorneys' fees in Section 1071.

In the future, trademark applicants may no longer need to worry about covering the expense of the USPTO's attorneys' fees if the applicant chooses review of an adverse *ex parte* TTAB decision in a district court. This review option allows trademark applicants to introduce new evidence and have the district court review the evidence *de novo*, which can result in a more complex consideration of whether the trademark application is entitled to registration.

The application of *Peter v. NantKwest* to trademark cases is yet to be confirmed. However, the decision suggests that in the future, trademark applicants will be able to exercise all their statutory options for appealing an adverse *ex parte* TTAB decision without worrying about paying adverse attorneys' fees on top of it. ■

6. 784 F.3d 219, 227 (4th Cir. 2015).

7. *Id.* at 225.

8. 35 U.S.C. § 144 – 145.

9. 35 U.S.C. § 145.

10. 2019 WL 6719083, at *6.

firm UPDATE

PARTNERSHIP

■ Jessica Ekhoﬀ



We are very pleased to announce that Jessica has become a partner in the Firm as of January 1, 2020.

PRESENTATIONS

■ Janet Marvel

Janet spoke on “Understanding the Intellectual Property License 2019: Trademark Licensing” at the Practising Law Institute seminar in Chicago on October 23.

■ Belinda Scrimenti

Belinda gave a presentation to an international corporate client’s legal department on November 21, which was video-streamed to viewers in U.S. and Canadian locations, on “The Intersection of Artificial Intelligence With Trademark and Copyright Law.” The program was certified for Texas and California CLE credit.

Belinda will also be moderating a roundtable at the INTA 2020 Annual Meeting in Singapore on April 28 on “*In re Booking.com* and the Shifting Sands of Trademark Genericness Rulings.”

APPOINTMENTS

■ Phillip Barendolts



Phil has been re-elected as a Vice President of the Board of Directors of Lawyers for the Creative Arts.

■ Bradley Cohn



Bradley has been elected Secretary of the Board of the Illinois Institute of Continuing Legal Education.

■ Jessica Ekhoﬀ

Jessica has been appointed Co-Chair of the Coalition of Women’s Initiatives in Law’s Programming Committee for 2020-2021.

PUBLICATIONS

■ Jonathan Jennings



Jonathan’s article on obtaining summary judgment in TTAB proceedings was published in the December, 2019 edition of Pharmaceutical Trade Marks Group’s *Law, Lore & Practice* newsletter.

firm NOTEWORTHY



Thad Chaloeintiarana

We are very proud to announce that our partner, Thad Chaloeintiarana, has been nominated to become Section Vice-Chair of the American Bar Association Section of Intellectual Property Law at the ABA Annual Meeting in Chicago from July 29 - August 4, 2020. Following his one-year term, Thad will then move up to Section Chair-Elect for 2021-22, and then Section Chair for 2022-23 term.

Established in 1894, the ABA IPL Section is the world’s oldest and largest organization of intellectual property professionals. Thad currently is a member of Council for the Section. He also currently serves as Council Liaison to the Trademarks and Unfair Competition Division, Co-Chair of the Young Lawyer Fellow Advisory Committee and the

Section Liaison to the National Asian Pacific American Bar Association. He previously served as Section Membership Officer for two years, after serving as Vice Chair of the Membership Board for three years. He served as Chair of the Trademark and Unfair Competition Division of the Section for two years, after serving as Vice Chair of the Division for two years. He has chaired numerous committees within the Trademark and Unfair Competition Division over many years. He also served as Vice Chair of the Diversity Action Group for three years. He has served on the CLE Board, the Membership Board, the Revenue Committee and the Nominating Committee.

Thad will be the fifth Pattishall partner to Chair the ABA IP Law Section, one of the largest IP law organizations in the world, following in the footsteps of Edward Rogers, Beverly Pattishall, Tom Hofstetter, and Bob Sacoff.

Larry Fujara



We are very proud to announce that the Association of Legal Administrators' Chicago Chapter has presented our extraordinary Executive Director of 31 years, Larry Fujara, with its first-ever *Lifetime Achievement Award* "in recognition of his commitment to professionalism, and dedication to the advancement of the legal management profession and a record of long-term service."

Illinois Super Lawyers 2020

David Hilliard has been named as one of the Top 100 Super Lawyers in 2020, the eleventh year he has been so honored by his peers as one of the top-rated attorneys in the nation.

Brett August, Philip Barengolts, Ashly Boesche, Thad Chaloeintiarana, Bradley Cohn, Jonathan Jennings, Janet Marvel, Robert Sacoff, Belinda Scrimenti and Joseph Welch, II have been designated Illinois Super Lawyers, and our new partner **Jessica Ekhoft** has been named an Illinois Rising Star.

Leading Lawyers Magazine

Brett August, Thad Chaloeintiarana, Bradley Cohn, David Hilliard, Jonathan Jennings, Robert Sacoff and Joseph Welch II have been selected as Illinois "Leading Lawyers" for 2020.

U.S. News & World Report – Best Law Firms 2020

Pattishall McAuliffe has been designated a National Tier 1 Trademark Law Firm, and a Chicago Tier 1 Intellectual Property Litigation and Trademark Law Firm.

World Trademark Review (WTR) Experts' Expert

WTR's Experts' Expert report rated Bob Sacoff one of the top 20 trademark law practitioners in the U.S. *WTR* canvasses practitioners around the world each year to find out who they consider the best in the trademark law field.

World Trademark Review Global Leaders 2019

David Hilliard and **Jonathan Jennings** have been recognized by the World Trademark Review (WTR) as Global Leaders in private practice. WTR states that this recognition identifies the "best of the best" in trademark practice.