NO FEES PLEASE: A DEFENSE OF THE AMERICAN RULE IN TRADEMARK AND PATENT CIVIL ACTIONS

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I. INTRODUCTION

Imagine that you are a small-time inventor seeking a patent for your new, groundbreaking invention. As an initial matter, I commend your inventive spirit, and would mention that you are in good company.1 Before you may claim protection for your creation, you must submit your application to the United States Patent and Trademark Office (“USPTO”) so that it can be reviewed and approved. The required information regarding your patent seems limited, and although you feel what is requested from you is not fully sufficient to display the uniqueness and innovativeness of your invention, you adhere to the process. After determining which application fits your particular needs, you send your application and eagerly await its approval.2

DENIED. Surely this can’t be right? You have the opportunity to have your application reexamined,3 and feeling confident that a mistake has been made, you request such reexamination. A single rejection of your creation surely is not enough to defeat your spirit.

DENIED. One denial may have been a lark, but two? Your invention is groundbreaking! How could they not see the uniqueness and potential of your creation? In the back of your mind you may be concerned that your invention isn’t as original as you initially thought, but have no fear, for the code allows for another appeal. This time, the appeal is to the Patent Trial

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3 35 U.S.C. § 132(a) (2018) (“If after receiving notice of rejection, and the applicant persists in [his or her] claim for a patent . . . the patent shall be reexamined.”).
and Appeal Board (“PTAB”), so long as the additional required fee does not dissuade you.⁴

DENIED. This couldn’t possibly be happening again! Your interminable persistence cannot be extinguished by a board comprised of people who clearly do not understand the magnitude of your creation. Though it is possible that the patentability of your creation is a closer call than you initially thought, there is still another path to vindication, but this one diverges into two mutually exclusive options of judicial review: an appeal based on the record established by the USPTO and nothing more,⁵ or a civil action that allows for introduction of new evidence which may allow you to turn this close call into a success.⁶ While the latter choice does come at quite a higher cost,⁷ you have enough money to cover both your lawyer’s fees and the costs incurred by the USPTO in the process of the litigation. Understanding the greater financial burden that is required of you for what you feel is a more thorough review, you press on to the District Court for the Eastern District of Virginia.⁸

DENIED. Maybe at this point the interminable persistence has turned terminable, but knowing the risks associated with the more expensive path, you lick your wounds and prepare to pay the price. Although the United States has long practiced the American Rule,⁹ and the statute said nothing about attorney’s fees, the court still requires you to pay the government’s attorney’s fees. Maybe after multiple rounds of defeat, you can still afford to continue the legal battle to vindicate your grand invention or trademark, but just as likely, it has finally dawned on you that what you initially thought was a slam dunk patent or trademark application is not quite so. You turn around and head home, with insult of attorney’s fees added to injury of your now slimmer wallet.

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⁴ 35 U.S.C. § 134(a) (“An applicant [who has been twice rejected may appeal to the PTAB after] having once paid the fee for such an appeal.”). This fee varies depending on the entity appealing: $325 for a micro entity, $650 for a small entity, and $1300 for an entity not defined as a small or micro entity. 37 C.F.R. § 41.20(b)(3) (2017).

⁵ 35 U.S.C. § 141 (allowing a patent applicant to appeal the decision of the PTAB under § 134(a) to the United States Court of Appeals for the Federal Circuit); id. § 144 (restricting the United States Court of Appeals for the Federal Circuit to the record before the PTAB).

⁶ Id. § 145 (allowing a patent applicant to bring a civil action regarding the decision of the PTAB under § 134(a) to the District Court for the Eastern District of Virginia); see Kappos v. Hyatt, 566 U.S. 431, 445–46 (2012) (“[T]here are no limitations on a patent applicant’s ability to introduce new evidence in a § 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure.”).

⁷ 35 U.S.C. § 145 (“All the expenses of the proceeding shall be paid by the applicant.”).

⁸ Id. (“An applicant dissatisfied with the decision of the [PTAB] under section 134(a) may . . . have remedy . . . in the United States District Court for the Eastern District of Virginia[,]”).

⁹ For discussion of the American Rule, see infra Part II.C.
But do you have to pay the attorney’s fees of the USPTO? Currently, there is a circuit split regarding the proper interpretation of two statutes that ask the applicant to pay “all the expenses” or “all expenses” of a proceeding in a trademark or patent civil action. This Comment argues that the interpretation of the aforementioned language to include attorney’s fees runs afoul of the American Rule, defies both the language of the statute and the intent of Congress, and does more harm than it does good. Part II of this Comment will briefly discuss the history of the Patent Act, the avenues of appeal that it establishes, the history and principles of the American Rule, and Supreme Court precedent regarding the rule. Part III will discuss a circuit split that has recently developed regarding awarding attorney’s fees in the context of trademark and patent litigation. Part IV will show that the proper and principled approach to resolving this circuit split is to adopt the holding in Nantkwest, Inc. v. Iancu, which concluded that attorney’s fees are not encompassed within the “all expenses” language. Part V will briefly conclude and encourage the Supreme Court to adopt this holding.

II. AMERICAN RULE AND APPEAL

A. Brief History of the Patent Act

The American patent system was created by the Patent Act of 1790 with the intention of “promot[ing] the progress of useful arts . . . granting to [a patent owner] the sole and exclusive right and liberty of making, constructing, using and vending to others to be used, the said invention or discovery.” Initially, the power to approve and grant a patent was delegated to a three-party panel consisting of the Secretary of State, the Secretary of War, and the Attorney General. This trio operated under the

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10 The statute in question in Shammas v. Focarino, 784 F.3d 219 (4th Cir. 2015), 15 U.S.C. § 1071(b)(3), comes from the Lanham Act, which is concerned with trademark civil actions and uses the language “all the expenses.” See 15 U.S.C. § 1071(b)(3) (2018). The statute in question in Nantkwest, Inc. v. Iancu, 35 U.S.C. § 145, uses the language “all expenses.” See 35 U.S.C. § 145; Nantkwest, Inc. v. Iancu, 898 F.3d 1177 (Fed. Cir. 2018) (en banc), cert. granted, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019). This Comment discusses the Patent Act and its historical development at length primarily because the Lanham Act adopted the Patent Act’s structure for trademark appeals and civil actions, and has the support of congressional intent for the position that attorney’s fees were not to be included outside “exceptional cases.” See infra notes 37, 125 and accompanying text. For clarity, this note will use the phrase “all expenses” or “all the expenses of the proceeding” as a reference to the language used in both statutes.

11 Nantkwest, 898 F.3d at 1188.


13 Id.

14 Id.
Department of State. In 1836, Congress established what is now known as the USPTO as an independent agency, still within the Department of State, and headed by a Commissioner of Patents. Below the Commissioner of Patents were patent examiners, who examined patent applications in place of the three-party panel, and whose decisions were appealable to an internal board. The agency was subsequently shifted to the Department of the Interior, then to the Department of Commerce, where it remains today. The Patent Act of 1952 codified the sections which are the subject of the current circuit split, though the language used has been only slightly altered over the years.

B. Path to Judicial Review

The Patent Act of 1952 provides a system to either apply for the protection a registered patent provides and appeal or bring a civil action after a patent application is denied. An inventor or owner of a patent may file a patent application to the USPTO for approval by a USPTO examiner assigned to the application. If the patent application is denied, the applicant has the right to request that the application be reexamined. If the patent application is denied twice, the applicant may appeal the decision of the USPTO examiner to the PTAB for reexamination. If after the Board’s deliberation, it affirms the rejection of the patent application, the applicant has two mutually exclusive options for judicial review: an appeal to the Court of Appeals for the Federal Circuit, or a civil action in the Eastern District of Virginia. There are two notable differences between these options: the

15 See id.; P.J. Federico, Operation of the Patent Act of 1790, 18 J. PAT. OFF. SOC’Y 237, 237–38 (1936) (“The business of administering the act was organized in the Department of State. The act provided that this Department keep the books and records, receive the papers filed, and perform other duties.”).
16 Act of July 4, 1836, ch.. 357, §§ 1, 2, 5, 7 Stat. 117.
17 Id. § 7.
19 See 15 U.S.C. § 1511(4) (2018)(“The [USPTO] shall be under the jurisdiction and subject to the control of the Secretary of Commerce”); 35 U.S.C. §1(a) (“The [USPTO] is established as an agency of the United States, within the Department of Commerce.”).
20 Act of July 19, 1952, ch. 950, § 1, 66 Stat. 803; see generally 35 U.S.C. §§ 1 et seq. While the Patent Act of 1952 codified 35 U.S.C. § 145, the language of the section that is being addressed had been in force for over 100 years at the time of being codified in chapter 35, albeit with slight alteration. See Act of March 3, 1839, ch. 88, § 10, 5 Stat. 353 (“[T]he whole of the expenses of the proceeding shall be paid by the applicant, whether the final decision shall be in his favor or otherwise.”).
21 35 U.S.C. § 132(a) (“[If after receiving notice of rejection, and the applicant persists in his or her claim for a patent . . . the patent shall be reexamined.”).
22 Id. § 134.
23 See id. § 141(a) (Federal Circuit appeal); id. § 145 (Eastern District of Virginia civil
record available for review and the allocation of expenses. In an appeal before the Federal Circuit, the court is restricted to reviewing only the record from which the PTAB rendered its decision.\(^\text{24}\) When proceeding in the Eastern District of Virginia, because the suit is de novo, the court is not restricted to the record from which the PTAB rendered its decision; the patent applicant has the opportunity to introduce evidence that was not initially considered in the patent application.\(^\text{25}\) In regard to the allocation of expenses, the statute that allows an appeal to the Federal Circuit makes no mention of any such allocation.\(^\text{26}\) In contrast, the statute that allows a civil action in the District Court of Virginia establishes that “[a]ll the expenses of the proceedings shall be paid by the applicant.”\(^\text{27}\)

The diverging paths of review first took root in the Patent Act of 1836, delineating between appeals based on denial of a patent, and appeals based on patent interference.\(^\text{28}\) Congress established these reviews as a response to the flood of lawsuits that had found their way into the legal system.\(^\text{29}\) To combat this, the Patent Act of 1836 established a Board of Examiners, appointed by the Secretary of State, to review decisions. The Board was comprised of “three disinterested persons,” one of whom, if possible, was to be knowledgeable in the field of the patent in question.\(^\text{30}\) This enactment unfortunately did not solve Congress’s concerns for two reasons. First, the appeals brought to the Board of Examiners took considerably longer and cost far more than expected, likely as a result of the Commissioner of Patents construing the Act to allow introduction of further evidence.\(^\text{31}\) Second, the compensation provided to those participating on the board of examiners was

\(^{24}\) See id. § 144 (“[T]he Federal Circuit shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office.”)


\(^{26}\) See 35 U.S.C. § 141.

\(^{27}\) Id. § 145.

\(^{28}\) Act of July 4, 1836, ch. 357 §§ 7–8, 5 Stat. 117, 119–21 (establishing an appeal to a board of examiners based on a denial of a patent by the Commissioner, and an appeal to a board of examiners based on patent interference).

\(^{29}\) S. Doc. No. 26–338, at 3 (1836) (explaining that one of the “evils” that Congress intended to stop was “a great number of lawsuits arising... onerous to the courts... ruinous to the parties... and injurious to society”). While this language shows that Congress did to some extent intend to make civil actions costlier, nothing in the record indicates that Congress intended to include attorney’s fees as a cost of civil actions.


so small that there was difficulty finding people who would agree to serve, again slowing down the process. To alleviate these issues, the Commissioner made recommendations that would later be adopted in the Patent Act of 1839. These recommendations included having the Chief Justice of the District Court for the District of Columbia assess all of the appeals and bill of equity actions as well as expanding bill of equity actions so as to be granted in any case of patent refusal.

The changes instituted by the Patent Act of 1839 are still visible today, albeit with a slight change in language from “the whole of the expenses” to “all expenses.” This language was altered in 1870 while retaining the original meaning, and was subsequently codified in the Patent Act of 1952. Over the course of its existence, the language of the statute has remained largely unaltered. There is no clear indication of Congress’s intended meaning of the phrase “the whole of the expenses” or “all of the expenses” in regard to the Patent Act. The Lanham Act, on the other hand, has legislative history to support the position that the use of “all the expenses” in 15 U.S.C. § 1071(b)(3) was not intended to include attorney’s fees.

The Supreme Court has recognized that in cases where Congress intended to displace the American Rule through statutory construction, Congress uses “specific and explicit” language to signify its intention.

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32 Id.
33 Id. at 791–92; see Act of Mar. 3, 1839, ch. 88, §§ 10–11, 5 Stat. 353, 354–55. Section ten of the Patent Act of 1839 extended section sixteen of the Patent Act of 1836 to “all cases where patents are refused for any reason whatever,” while both sections ten and eleven of the Patent Act of 1839 modified both appeals and bills of equity actions to be addressed by the Chief Justice of the District Court for the District of Columbia. Id. Section eleven of the Patent Act of 1839 also established that appeals would be reviewed “on the evidence produced before the Commissioner.” Id. at 355. This language was not included in section ten. Id. at 354–55. This distinction is still reflected in the application of § 141 and § 145. See supra notes 24–25 and accompanying text.
35 An initially proposed version of this section required that “all costs shall be paid by the complainant, and whole amount of the costs taxed against the complainant shall not exceed the sum of twenty-five dollars.” Cong. Globe, 41st Cong., 2nd Sess. 4820 (1870). This language was ultimately struck and replaced with the language “all the expenses of the proceeding” that is present now. Id.; see Act of July 8, 1870, ch. 230 § 52, 16 Stat. 198, 205.
36 The language statute in the prior act was adopted again. See Act of July 19, 1952, ch. 950, § 145, 66 Stat. 792, 803 (“All the expenses of the proceedings shall be paid by the applicant.”).
37 See S. Rep. No. 93-1400, at 2 (1974). Congress intended a grant of attorney’s fees to be “limit[ed] . . . to ‘exceptional cases,’” for “acts which courts have characterized as malicious, fraudulent, deliberate, and willful.” Id. at 5. This intent is visible in other sections of the Lanham Act, which explicitly reference “attorneys’ fees” as a damages reward for conduct that may be fairly characterized as “malicious, fraudulent, deliberate, and willful.” See 15 U.S.C. §§ 1114(2)(D)(iv), 1116(d)(11), 1117(a), 1117(b).
38 For discussion of Supreme Court precedent regarding fee-shifting statutes that
C. American Rule

The American Rule is the “bedrock principle” when considering whether to award attorney’s fees: “each litigant pays [his or her] own attorney’s fees, win or lose, unless a statute or contract provides otherwise.”\(^{39}\) The American judiciary first articulated this principle in the 1796 case of *Arcambel v. Wiseman*.\(^{40}\) In a succinct, six-sentence opinion, the Supreme Court rejected the circuit court’s award of $1600 in counsel’s fees as damages.\(^{41}\) The per curiam opinion explained that “[t]he general practice of the United States is in opposition [sic] to it; and even if that practice were not strictly correct in principle, it is entitled to the respect of the court, till it is changed, or modified, by statute.”\(^{42}\)

This opinion was handed down at a time when numerous states had already enacted statutes allowing for the award of attorney’s fees, adopting the English Rule of the time.\(^{43}\) The English Rule allowed “costs” recoverable in an action to include attorney’s fees, creating a “loser pays” system.\(^{44}\) These statutes coincided with considerable hostility towards lawyers, with some attempts to ban lawyers from practicing within a state.\(^{45}\) State legislatures that had initially created schedules similar to those created in England, which established the outer bounds of collectable attorney’s fees, failed to keep the schedules up-to-date; in effect, the situation devolved into recoverable costs becoming nominal or nonexistent.\(^{46}\)

Despite this, the

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41 Id.
42 Id.
44 See generally Statute of Gloucester 1278, 6 Edw., c. 1. (directing defendants to pay costs to successful plaintiffs); see William B. Stoebuck, Counsel Fees Included in Costs: A Logical Development, 38 U. COLO. L. REV. 202, 204 (1965). Stoebuck noted that the recovery of costs dates back as far as the 13th century. Statutes were introduced to regulate costs recoverable, which created exceptions in certain actions, and court-created schedules were introduced to establish outer limits to the amount recoverable. These schedules and the exercise of judicial discretion were the system in which attorney’s fees were awarded in the past and the present. Id. at 204–05.
46 See id. at 10 (noting that the New York Legislature fixed the amount recoverable in dollar amounts instead of a percentage of amount recovered); Stoebuck, supra note 44, at 204, 207; Charles T. McCormick, Counsel Fees and Other Expenses of Litigation as an Element
Arcambel opinion was met with staunch opposition, with states creating numerous exceptions and extensions to circumvent the Supreme Court’s holding.47 Nevertheless, the Supreme Court built upon the American Rule, expanding on the outer limits of the restraint on attorney’s fees awards. It has allowed the recovery of attorney’s fees in the context of securing trust funds,48 preserving a common fund,49 and securing a common benefit.50 Additionally, the Supreme Court has recognized that misconduct may allow for a shift of attorney’s fees,51 as well as the losing party’s bad faith.52

The adoption of the American Rule is rooted in public policy. Chief Justice Warren explained that the argument has been made that “[s]ince litigation is at best uncertain one should not be penalized for merely defending or prosecuting a lawsuit, and . . . the poor might be unjustly discouraged from instituting actions to vindicate their rights if the penalty for losing included the fees of their opponent’s counsel.”53 Chief Justice Warren went on to explain that “the time, expense, and difficulties of proof inherent in litigating the question of what constitutes reasonable attorney’s fees would pose substantial burdens for judicial administration.”54 This opinion underscores the main concerns rooted in the American Rule: access to the court system, predictability in litigation cost, and the burden on judicial administration. The American Rule allows plaintiffs who have meritorious


48 See Cowdrey v. Galveston, H. & H. R. Co., 93 U.S. 352, 352, 355 (1877) (allowing recovery from a trust fund for a party who incurs attorney’s fees preserving or recovering a fund of another).

49 See Trs. v. Greenough, 105 U.S. 527, 537 (1882) (allowing recovery of attorney’s fees for a party who incurs legal fees protecting or collecting the fund).

50 See Sprague v. Ticonic Nat’l Bank, 307 U.S. 161, 166–67 (1939) (allowing recovery of attorney’s fees by a successful litigant where the litigation provides a substantial benefit on a class of persons).

51 See Toledo Scale Co. v. Computing Scale Co., 261 U.S. 399, 427–28 (1923) (allowing recovery of attorney’s fees against a party who has been found in contempt of court, causing further litigation expense to correct the contempt).

52 See Hall v. Cole, 412 U.S. 1, 2, 5 (1973) (allowing recovery of attorney’s fees against a losing party who act in “bad faith, vexatiously, wantonly, or for oppressive reasons.” (citation omitted)). For further discussion of the exceptions recognized by the courts to the American Rule, see John F. Vargo, The American Rule on Attorney Fee Allocation: The Injured Person’s Access to Justice, 42 Am. U. L. Rev. 1567, 1578–90 (1993).


54 Id.
claims to litigate them in the judicial system by foreclosing the possibility of being saddled with their adversary’s often considerable attorney’s fees. The American Rule also avoids the added expense of having to litigate the award of attorney’s fees. The determination of reasonable attorney’s fees has evolved with time, from a percentage-based calculation to a factor-based test, and the calculation is not always as clean as parties would hope.

D. Statutory Construction and Supreme Court Precedent

Congress has the ability to displace the American Rule with proper statutory language. The Supreme Court has recognized two forms of language that displace the American Rule and has developed two lines of precedent regarding each one, with the two requiring different types of clarity and use of language. The first is the “prevailing party” precedent, best displayed in Commissioner, I.N.S. v. Jean and Baker Botts v. ASARCO. The second is the “non-prevailing party” precedent, best displayed by Hardt v. Reliance Standard Life Insurance Company and Ruckelshaus v. Sierra Club.

1. “Prevailing Party” Precedent

The Court in Baker Botts explained that the best example of “prevailing party” requirement can be found in the Court’s prior interpretation of the Equal Access to Justice Act (“EAJA”) in Commissioner, I.N.S. v. Jean. In Jean, the Court addressed whether 28 U.S.C. § 2412(d)(1)(A) allowed for deviation from the American Rule. This EAJA statute uses the terms “prevailing party,” “fees,” and “civil action” to establish its intent to displace the American Rule. The Court in Jean held that this language sufficiently

55 See Walter Olsen & David Bernstein, Loser-Pays: Where Next?, 55 MD. L. REV. 1161, 1188 (noting that concerns over paying large legal fees upon losing a case hurts the middle class both when they sue and when they get sued).


61 Baker Botts, 135 S.Ct. at 2164.

62 28 U.S.C. § 2412(d)(1)(A) (2018) (“[A] court shall award to a prevailing party other than the United States fees and other expenses, in addition to any costs awarded pursuant to subsection (a), . . .”).

63 Jean, 496 U.S. at 156–57 (1990) (addressing recovery of attorney’s fees in response to litigation about fees).

64 It was the intent of Congress to “insure the applicability . . . of the common law and statutory exceptions to the ‘American Rule’ respecting attorney fees.” Id. at 163 n.11.
allows for the awarding of fees from “all aspects of the civil action,” which includes attorney’s fees. The Court subsequently in *Baker Botts* explained that what it required was a statute that includes the terms “fees,” “prevailing party,” and “civil action” to displace the American Rule. Utilizing this framework again, the Court in *Baker Botts* rejected the claim that 11 U.S.C. § 330(a)(1) allowed for an award of attorney’s fees. The language “reasonable compensation for actual, necessary services rendered” used in the statute “neither specifically nor explicitly authorizes courts to shift the costs” of attorney’s fees in contravention of the American Rule. The Court makes clear that for a “prevailing party” statute to displace the American Rule, it must include language such as “fees,” “prevailing party,” “successful,” and “civil action.” An example of such language can be found in 5 U.S.C. § 504(a)(1), a provision of the Administrative Procedure Act, which requires that “[t]he agency that conducts an adversary adjudication shall award, to a prevailing party other than the United States, fees and other expenses incurred by that party in connection with that proceeding.” This language comports with the “prevailing party” precedent requirements, and allows for the shifting of attorney’s fees.

2. “Non-Prevailing Party” Precedent

In “non-prevailing party” precedent, the Court again looks for “specific and explicit” language, but in a different form. In *Hardt*, the Court addressed whether 29 U.S.C. § 1132(g)(1) allowed the award of attorneys’ fees only to the prevailing party. While the statute does not provide a “prevailing party” requirement, the Court acknowledged that there are “deviations from the American Rule that do not limit attorney’s fees awards to the ‘prevailing party.’” The *Hardt* Court cited *Ruckelshaus* as the principal case regarding “non-prevailing party” precedent. The *Ruckelshaus* Court addressed whether it was appropriate for the lower courts to award attorney’s fees

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65 Id. at 161.
66 *Baker Botts*, 135 S. Ct. at 2164.
67 Id. at 2165; see 11 U.S.C. § 330(a)(1)(A) (2018) (allowing “reasonable compensation for actual, necessary services rendered” by [those assisting in the representation of an estate, including] attorney[s]).
68 *Baker Botts*, 135 S. Ct. at 2165.
69 Id. at 2164; see *Ruckelshaus* v. Sierra Club, 463 U.S. 680, 684 (1983) (noting “successful” as a phrase often found in prevailing party fee-shifting statutes).
72 *Hardt*, 560 U.S. at 254.
73 Id.
pursuant to 42 U.S.C. § 7607(f),74 despite the lack of a success requirement.75 The Court held that while the statute in question did not have a “prevailing party” requirement, it was still sufficient to allow an award of attorney’s fees.76 While the Court does not require any particular magic words to shift fees, there still needs to be some language that is “specific and explicit” that the Court may point to as evidence that it was truly Congress’s intention to shift fees from one party to another.77 An example of such a situation can be found in 2 U.S.C. § 396, a statute dealing with contested elections in Congress, which allows for “reimbursement . . . of his reasonable expenses of the contested election case, including reasonable attorneys’ fees.”78

III. THE CIRCUIT SPLIT

While the American Rule is the default approach to awarding attorney’s fees, it can be displaced by statute.79 The language that is required to displace the American Rule through statute usually “contain[s] language that authorizes the award of ‘a reasonable attorney’s fee,’ ‘fees,’ or ‘litigation costs.’”80 The circuit split detailed below attempts to address whether the statutory language in question meets the “specific and explicit” requirement for displacement of the American Rule.

In 2015, the Fourth Circuit in Shammas v. Focarino81 was tasked with interpreting 15 U.S.C. § 1071(b)(3) to determine whether the statute allowed for the recovery of attorney’s fees in a trademark application civil action based on the language “all expenses of the proceeding shall be paid by the

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74 42 U.S.C. § 7607(f) (2018) (“In any judicial proceeding under this section, the court may award costs of litigation (including reasonable attorney and expert witness fees) whenever it determines that such award is appropriate.”).
76 Id. at 682 (allowing an award of attorney’s fees despite § 7607(f) not articulating a prevailing party requirement).
77 See Summit Valley Indus. v. Local 112, United Bhd. of Carpenters, 456 U.S. 717, 721–22 (1982); see also Key Tronic Corp. v. United States, 511 U.S. 809, 815 (1994) (“The absence of [a] specific reference to attorney’s fees is not dispositive if the statute otherwise evinces an intent to provide for such fees.”). For further discussion of Key Tronic and its consideration of Congressional intent by examining the full statutory construction, see infra notes 180–186.
79 See Arcambel v. Wiseman, 3 U.S. 306, 306 (1796); Baker Botts, L.L.P. v. ASARCO, LLC, 135 S. Ct. 2158, 2164 (2015) (“Because [the American Rule] is deeply rooted in the common law, this Court will not deviate from it ‘absent explicit statutory language.’” (citations omitted)); see generally John F. Vargo, supra note 52, at 1568–88 (noting there are more than two hundred federal statutes and almost 2,000 state statutes providing attorney fees).
81 784 F.3d 221 (4th Cir. 2015).
party bringing the case.”

After analyzing the language and structure of the statute, the court held that it indeed allowed for the recovery of attorney’s fees.

Five years later, the Court of Appeals for the Federal Circuit in *Nantkwest, Inc. v. Iancu* was similarly tasked with interpreting a near-identical phrase in 35 U.S.C. § 145 concerning the recovery of attorney’s fees in a patent application civil action. After criticism of the *Shammas* court’s analysis of § 1071(b)(3), the *Nantkwest* court held that the language and structure of the statute did not allow for recovery of attorney’s fees. Because of the near-identical language of the statutes in question, there is now a circuit split as to whether attorney’s fees can be recovered in de novo trademark and patent application civil actions.

A. *Shammas v. Focarino*

1. Facts of the Case

Plaintiff Milo Shammas was the owner of a gardening supply company, Dr. Earth, Inc. Shammas filed a trademark application for the mark “PROBIOTIC” which was to be used in conjunction with Dr. Earth fertilizer products. The USPTO attorney assigned to Shammas’s application denied it on two grounds: the word “probiotic” was a generic term for particular types of soil additives and fertilizers, and even if the term “probiotic” was descriptive of the product, it did not have a secondary meaning. Shammas appealed this decision by the USPTO attorney to the Trademark Trial and Appeal Board (“TTAB”), who affirmed the decision of the USPTO attorney. The Lanham Act provides two options for review: an appeal to the Federal Circuit, or a de novo civil action in the district court. Shammas

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82 Id. at 222.
83 Id. at 227.
85 Id. at 1185 (“We respectfully submit that Shammas’s holding cannot be squared with the Supreme Court’s line of non-prevailing party precedent applying the American Rule.”).
86 Id. at 1196.
88 Shammas, 784 F.3d at 221.
89 Id.
90 Brief for Appellee at 3–4, Shammas v. Focarino, 784 F.3d 219 (4th Cir. 2015) (No. 14-1191), 2016 WL 7406019, at *84.
91 Shammas, 784 F.3d at 221.
92 Id.; 15 U.S.C. § 1071(a)(1) (“An applicant for registration of a mark . . . who is dissatisfied with the decision of the Director or [TTAB], may appeal to the United States
filed for review in the district court, and the district court granted the USPTO’s summary judgment motion on the grounds that Shammas “had failed to cast doubt on the finding that ‘PROBIOTIC’ was a generic term.”

The USPTO then filed a motion to be reimbursed for the expenses incurred as a result of the proceeding, pursuant to § 1071(b)(3). These expenses totaled $35,926.59, which included the combined expenses of two USPTO attorneys’ prorated salaries, and one paralegal. Shammas opposed the awarding of the attorneys’ and paralegal’s prorated salaries, arguing that § 1071(b)(3) did not explicitly provide for the recovery of attorney’s fees that is required to displace the American Rule. The district court affirmed the reimbursement of the prorated salaries of the two attorneys and the paralegal, stating, “the plain meaning of the term ‘expenses,’ by itself, would clearly seem to include attorney’s fees. But if any doubt remained, it is removed by Congress’s addition of the word ‘all’ to clarify the breadth of the term ‘expenses.’”

By adding this modifier, Congress made clear that it intended that the plaintiff in such an action pay for all the resources expended by the USPTO during litigation, including attorney’s fees. Shammas appealed the court order requiring that he pay the prorated attorneys’ and paralegal’s fees.

2. The Shammas Court’s Analysis

The Fourth Circuit began by addressing Shammas’s concern that because Congress did not expressly authorize attorney-fee-shifting in § 1071(b)(3), “a district court may not read a federal statute to authorize” such

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93 Shammas, 784 F.3d at 221.
94 Id. at 221–222; 15 U.S.C. § 1071 (b)(3) (“[U]nless 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.” (emphasis added)).
95 Shammas, 784 F.3d at 222. Of the $36,320.49 awarded, $32,836.27 was awarded for the prorated salaries of the attorneys, and $3,090.32 was awarded for the salary of the paralegal. This was calculated by dividing the employees’ annual salaries by 2000 and multiplying by the total hours expended defending the action. The USPTO also included $393.90 in photocopying expenses. Id.
96 Id.
98 Id.
99 Shammas, 784 F.3d at 222.
fee-shifting and displace the American Rule. The Fourth Circuit seized on Shammas’s acknowledgement that the term “expenses” is broad enough to encompass attorneys’ and paralegals’ fees. Additionally, the Fourth Circuit drew attention to the modifier “all” that precedes “expenses” within the statute to show that, even within a common meaning of “expenses,” Congress did not intend for it to be limited. Further, citing Wisconsin v. Hotline Indus., Inc., the Fourth Circuit established that although the USPTO attorneys are in salaried positions, their being diverted from other work within the USPTO is an expense that is incurred by the USPTO.

Having dealt with the issue of what the phrase “all expenses” includes, what is left of Shammas’s argument is whether § 1071(b)(3) sufficiently and explicitly shifts attorney’s fees in a way that overcomes the American Rule’s presumption that attorney’s fees are not included. The Fourth Circuit began its analysis of Shammas’s argument by stating that his assumption that the American Rule applied was “misplaced under the circumstances.” Close inspection of the American Rule, the court explained, shows that its intention is to prevent the prevailing party from recovering attorney’s fees from the losing party. This purpose ties into the “express authorization” that Shammas argued is required of Congress to create a fee-shifting statute. The Fourth Circuit drew attention to the Supreme Court’s opinion in Ruckelshaus explaining that when Congress has decided to depart from the American Rule, “virtually every one of the more than 150 existing federal fee-shifting provisions predicates fee awards on some success by the claimant... the consistent rule is that complete failure will not justify shifting fees.” Based on this language, the Fourth Circuit reasoned that the “specific and explicit” language required to overcome the American Rule is only required when it is meant to prevent the prevailing party from

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100 Id.
101 Id.
103 236 F.3d 363 (7th Cir. 2000)
104 Shammas, 784 F.3d at 223; see Hotline Indus., Inc., 236 F.3d at 365 (“[S]alaried government lawyers... do incur expenses if the time and resources they devote to one case are not available for other work.”).
105 Shammas, 784 F.3d at 223.
106 Id.
107 Id. (citing Alyeska Pipeline Serv. Co. v. Wilderness Soc’y, 421 U.S. 240, 245 (1975) (“[T]he prevailing party may not recover attorneys’ fees as costs or otherwise.”) (emphasis added); see also, Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep’t of Health & Human Res., 532 U.S. 598, 602 (2001) (“[T]he prevailing party is not entitled to collect [attorney’s fees] from the loser.”).
108 Shammas, 784 F.3d at 223 (emphasis in original); for discussion of Ruckelshaus, see supra notes 74–76 and accompanying text.
recovering attorney’s fees; because § 1071(b)(3) has no prevailing party requirement, the American Rule is not implicated, and no specific and explicit language is required. 109

In contrast, § 1071(b)(3) requires that “all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in the favor of such party or not.” 110 With that, the Fourth Circuit found that § 1071(b)(3) is not a statute that stands within the context of the American Rule, and does not require the “express authorization” that Shammas argued is required to establish fee-shifting. 111 Analyzing the plain language of § 1071(b)(3), the Fourth Circuit held that in a de novo district court proceeding, the expenses include attorney’s fees, regardless of success. 112

The Fourth Circuit then turned to an alternative argument advanced by Shammas: that “expenses of the proceeding” within the context of the statute should be interpreted as aligning with the meaning of “costs of the proceeding,” which only includes taxable costs. 113 In adopting the “costs of the proceeding” interpretation, taxable costs would not include attorney’s fees. 114 The Fourth Circuit quickly disposed of this argument based on Shammas’s failure to offer an explanation as to why the court should adopt this view, and based on the court’s previous rulings. 115 Additionally, the Fourth Circuit explained that, in applying the “cardinal principle of statutory construction,” Congress did not intend for “expenses” to be interchangeable with “costs” within § 1071(b)(3). 116

The Fourth Circuit continues by analyzing both the statutory scheme and the legislative history of the Lanham Act. 117 First, the Fourth Circuit explains that because an action under § 1071(b)(1) is a de novo civil action, it is a more extensive and expensive action for the USPTO than an appeal under § 1071(a)(1). 118 By requiring the trademark applicant to pay “all the expenses of the proceeding,”

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109 Shammas, 784 F.3d at 223.
111 See Shammas, 784 F.3d at 223–24.
112 Id. at 224.
113 Id.
114 Id.
115 Id.; see Robertson v. Cooper, 46 F.2d 766, 769 (4th Cir. 1931) (allowing recovery of a government attorney’s expenses related to attending depositions).
116 See Shammas, 784 F.3d at 224; TRW Inc. v. Andrews, 534 U.S. 19, 31 (2001) (“[A] statute ought, upon the whole, to be so construed that . . . no clause, sentence, or word shall be superfluous.”) (citation omitted).
117 Shammas, 784 F.3d at 225.
118 Id.
regardless of success, Congress intended to alleviate the burden on the USPTO having to defend its findings.\textsuperscript{119} Additionally, in examining the breakdown of the USPTO’s expenses incurred in the proceeding, 98% are attributable to attorneys’ and paralegals’ fees.\textsuperscript{120} To not allow for the recovery of 98% of the expenses incurred would be anomalous, especially considering the availability of an alternative avenue of appeal under § 1071(a)(1).\textsuperscript{121} Second, in examining the legislative history of the Lanham Act, the Fourth Circuit explained that § 1071(b)(3) was “intended as a straightforward funding provision, designed to relieve the USPTO of the financial burden that results from an applicant’s election to pursue more expensive district court litigation.”\textsuperscript{122} The language of § 1071(b)(3) was adopted from a parallel provision of the Patent Act, which established “a fund for the payment of the salaries of the officers and clerks . . . and all other expenses of the [USPTO].”\textsuperscript{123} The Patent Act additionally differentiated between the terms “expense” and “cost.”\textsuperscript{124} The Lanham Act’s passage “[incorporated] the procedures for appellate review of patent application denials in trademark proceedings.”\textsuperscript{125} With this, the Fourth Circuit concluded that when a trademark application denial is appealed under § 1071(b)(1), “all of the expenses” under § 1071(b)(3) include the prorated salaries of the USPTO attorneys and paralegals who worked on the defense of the decision.\textsuperscript{126}

B. \textit{Nantkwest, Inc. v. Iancu}

1. Facts of the Case

In 2001, Dr. Hans Klingemann filed a patent application for a cancer treatment that utilized natural cells to kill cancer cells.\textsuperscript{127} Dr. Klingemann’s patent application was assigned to Nantkwest, and the application was

\textsuperscript{119} Id.
\textsuperscript{120} Id.
\textsuperscript{121} Id.
\textsuperscript{122} Id. at 226.
\textsuperscript{123} Shammas, 784 F.3d at 226 (citing Act of July, 1836, ch. 357, § 9, 5 Stat. 117, 121).
\textsuperscript{124} Compare Act of July, 1836, ch. 357, § 9, 5 Stat. 117, 121 (“[A]nd all other expenses of the [USPTO]”) (emphasis added), with id. § 15, 5 Stat. at 123 (“[T]o adjudge and award as to costs, as may appear just and equitable.”) (emphasis added).
\textsuperscript{125} Shammas, 784 F.3d at 226 (citing S. Rep. No. 87-2107, at 7 (1962)). The Lanham Act initially cross-referenced the procedures for review in the Patent Act, but was later amended to remove the cross-reference and “incorporate, with necessary changes in language, the various provisions of [35 U.S.C. § 1 et seq.] relating to such appeals and review.” S. Rep. No. 87-2107, at 7 (1962).
\textsuperscript{126} Id. at 227.
rejected in 2010 for being “obvious.” The PTO Board affirmed the rejection of Nantkwest’s patent in 2013, resulting in Nantkwest’s civil action under § 145. At the close of discovery, the USPTO moved for, and was granted, summary judgment. The USPTO then filed a motion for reimbursement in accordance with § 145, which totaled $111,696.39, and included $78,592.50 in attorneys’ fees. The court denied the motion, citing the American Rule. The district court explained its reasoning as being grounded in the Baker Botts standard, which § 145 does not overcome in a manner sufficient to fee-shift within the American Rule. The USPTO appealed the denial of the motion, and a Federal Circuit panel reversed. The panel relied heavily on the Shammas opinion. The Federal Circuit voted sua sponte to hear the appeal en banc, focusing on the question of whether the language “all the expenses of the proceedings” allows for an award of attorney’s fees.

2. The Nantkwest Court’s Analysis

As an initial matter, the Federal Circuit held that the American Rule applies to § 145, explaining that the American Rule is the “starting point” for any party or statute that attempts to shift the cost of attorney’s fees to the other party. The USPTO relied on the Shammas opinion for the position that the American Rule should not apply to § 145, which the Federal Circuit found unpersuasive. The Federal Circuit was skeptical of the Fourth Circuit’s view that the American Rule does not apply, relying on Alyeska Pipeline Service Company v. Wilderness Society, which states that “the American Rule provides only that ‘the prevailing party may not recover attorneys’ fees from the losing party.’” The Federal Circuit drew attention

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128 Id.
129 Id.
130 Id.; see Nantkwest v. Lee, 686 F. App’x 864, 856 (Fed. Cir. 2017) (affirming).
131 Nantkwest, 898 F.3d at 1183. Attorney’s fees were calculated in a similar fashion to the calculation in Shammas—prorated salaries of two USPTO attorneys’ and one paralegal.
132 Id.; see Baker Botts, L.L.P v. ASARCO, LLC, 135 S. Ct. 2158, 2164 (2010) (with some variation, a majority of statutes that authorize fee-shifting within the American Rule include language such as “a reasonable attorney’s fee,” “fees,” or “litigation costs”).
133 Nantkwest, 898 F.3d at 1183.
134 Id. For discussion of the Shammas opinion, see supra Part III.A.
135 Nantkwest, 898 F.3d at 1184; see Nantkwest v. Matal, 869 F.3d 1327 (Fed. Cir. 2017) (vacating panel ruling and reinstating appeal sua sponte).
136 Nantkwest, 898 F.3d at 1184.
137 Id.; see Baker Botts, 135 S. Ct. at 2164 (“Our basic point of reference when considering the award of attorney’s fees is . . . the American Rule.”).
138 Nantkwest, 898 F.3d at 1184.
140 Shammas v. Focarino, 784 F.3d 219, 223 (4th Cir. 2015) (quoting Alyeska Pipeline,
to the fact that *Alyeska Pipeline*’s rule is not strictly predicated on the language of the “prevailing party.” The Federal Circuit found that the *Hardt* Court’s definition of the American Rule was more relevant to the question of whether the American Rule was applicable to § 145. In *Hardt*, the Federal Circuit analyzed whether the language of 29 U.S.C. § 1132(g)(1) allowed the award of attorney’s fees only to the prevailing party. The Court found that the absence of reference to a prevailing party within the text did not displace the American Rule from a fee-shifting inquiry, and instead held that “statutory deviations from the American Rule [do not] limit attorney’s fees awards to the ‘prevailing party.’”

The Federal Circuit next turned to the Fourth Circuit’s application of *Ruckelshaus*. Although the *Ruckelshaus* Court recognized that a number of fee-shifting provisions include some “success” requirement, the court also recognized that a lack of a “success” requirement does not mean that the American Rule is inapplicable. Instead, the court held that despite the fact that the statute in question did not have such a requirement, the American Rule still applied. Additionally, the *Nantkwest* court noted that the Supreme Court has applied the American Rule to statutes that do not specify a “success” requirement on multiple occasions. In an attempt to bolster its position, the USPTO cited *Sebelius v. Cloer*, which interpreted a statute requiring the payment of attorney’s fees whether or not the party succeeded without discussing the American Rule. The Federal Circuit quickly distinguished this case, and explained that *Cloer* “[stood] for the unremarkable principle that a statute providing for an award of attorney’s fees can displace the American Rule.”

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421 U.S. at 245) (emphasis in original).
41 Nantkwest, 898 F.3d at 1185.
42 See id.
44 *Hardt*, 560 U.S. at 254.
46 Nantkwest, 898 F.3d at 1185; *see* *Ruckelshaus*, 463 U.S. at 682–84.
49 *See* id. at 379 (explaining that the Court’s examination in a statutory construction case ends when the “statutory language is unambiguous and the statutory scheme is coherent and consistent”).
50 Nantkwest, 898 F.3d at 1186; *see* 42 U.S.C. § 300aa-15(e) (2018) (“In awarding
After resolving the question of whether the American Rule applied to § 145 in the affirmative, the Federal Circuit next addressed whether the language of § 145 overrides the American Rule. It is first noted that the Supreme Court has explained that when a statutory provision does not “expressly provide for the recovery of attorney’s fees,” Congress has not created a situation where awarding such attorney’s fees is permissible. This does not foreclose the possibility that Congress’s intent can be read into the statute from a lack of express language, as Congress can convey such intent through choices in statutory language. These statutory language choices must, nonetheless, convey a “specific and explicit” instruction to displace the American Rule. Next, the Federal Circuit noted that § 145 does not evince the “specific and explicit” authorization by Congress to depart from the American Rule. The language in § 145 is “at best ambiguous,” and the court declined to read intent into language that does not convey some sort of explicit direction regarding fee-shifting. The Federal Circuit countered the USPTO’s dictionary definition of “expense” with the definition of “expense” from other dictionaries in the same time period to show that it is ineffective to rely on vague and varied definitions to attempt to establish an “implicit authorization to award attorney’s fees.”

Rather than relying on dictionary definitions, the Federal Circuit

compensation on a petition filed [under this section] the special master or court shall also award as part of such compensation an amount to cover reasonable attorneys’ fees[.]” (emphasis added).

151 Nantkwest, 898 F.3d at 1186.
152 See Summit Valley, 456 U.S. at 722 (internal citations omitted); Key Tronic, 511 U.S. at 815.
153 See Summit Valley, 456 U.S. at 722–23; see also Key Tronic, 511 U.S. at 815 (“The absence of [a] specific reference to attorney’s fees is not dispositive if the statute otherwise evinces an intent to provide for such fees.”).
154 Baker Botts, L.L.P. v. ASARCO, LLC, 135 S. Ct. 2158, 2161 (2015). See also Summit Valley, 456 U.S. at 726 (applying the American Rule after finding no “express statutory authorization” in the statute’s language to support the position that “damages” includes attorney’s fees); Key Tronic, 511 U.S. at 819 (requiring “explicit statutory authority” to depart from the American Rule).
155 Nantkwest, 898 F.3d at 1187.
156 Id.
157 Expense, 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.”)
158 Expense, A COMPREHENSIVE PRONOUNCING AND EXPLANATORY DICTIONARY OF THE ENGLISH LANGUAGE, WITH PRONOUNCING VOCABULARIES OF CLASSICAL AND SCRIPTURE PROPER NAMES (1830) (“[C]ost; charges; money expended.”); Expense, AN AMERICAN DICTIONARY OF THE ENGLISH LANGUAGE (Joseph Worcester ed., 1830) (“Money expended,” “cost,” and “[t]hat which is used, employed, laid out or consumed.”).
159 Nantkwest, 898 F.3d at 1187 (quoting Summit Valley, 456 U.S. at 722).
examined the use of “expenses” and “attorneys’ fees” in other statutes, which, the court explained, shows that “[Congress understood] that the ordinary meaning of ‘expenses’ does not include attorneys’ fees.”\(^\text{160}\) Two categories of statutory drafting were recognized, the first being statutes that award both “expenses” and “attorneys’ fees,”\(^\text{161}\) and the second being statutes that explicitly define “expenses” to include “attorneys’ fees.”\(^\text{162}\) The language of § 145 does not fall into either of these categories. The court then considered the language of § 145 within the context of related statutes, examining whether “attorneys’ fees” had been awarded separate, or in conjunction with “expenses.”\(^\text{163}\) The Patent Act contains sections that either award attorney’s fees, or cross-reference to a section that awards attorney’s fees, such as § 285, which allows the court to award attorney’s fees in “exceptional cases.”\(^\text{164}\) This section not only allows an award of attorney’s fees, but is cross-referenced in other sections of the Patent Act.\(^\text{165}\) By omitting “attorneys’ fees” from its statutory language, § 145 “strongly

\(^{160}\) \textit{Id. at 1188.}


\(^{163}\) \textit{Nanthkwest,} 898 F.3d at 1189–90.

\(^{164}\) \textit{See 35 U.S.C. § 285 (2018) (“The court in exceptional cases may award reasonable attorney fees to the prevailing party.”) (emphasis added); id. § 297(b)(1) (“[R]easonable costs and attorneys’ fees[.]”) (emphasis added).}

\(^{165}\) \textit{Id. § 271(e)(4) (cross-referencing § 285); id. § 273(f) (cross-referencing § 285).}
suggest[s] a deliberate decision not to authorize such awards.”

The court also considered past judicial use of the term “expenses,” noting that it “does not ordinarily include attorney’s fees.”

IV. THE BEST APPROACH—ATTORNEYS’ FEES NOT INCLUDED

A. The Shammas Court’s Application of the American Rule is Wrong

The Shammas court relies on a faulty concept of what the American Rule is and how it functions. In Shammas, the court relies on Alyeska Pipeline’s articulation of the American Rule, stating that “‘the prevailing party may not recover attorneys’ fees’ from the losing party.”

The Shammas court uses this definition to explain that, because § 1071(b)(3) does not have a prevailing party requirement in its text, it does not implicate the American Rule whatsoever. As a result, the statute need not use specific and explicit language to shift attorney’s fees. The lack of reference to a prevailing party in no way means that the American Rule is not implicated; the American Rule is implicated wherever a statute purports to shift attorneys’ fees from one party to another.

The Hardt Court accurately defined the American Rule as the default under which “[e]ach litigant pays his own attorney’s fees, win or lose, unless a statute or contract provides otherwise.” This is the definition that the Nantkwest court relied upon. By even considering the possibility that “all expenses” in both § 1071(b)(3) and § 145 would allow for recovery of attorney’s fees, the statute necessarily implicates the American Rule, as the statute would be attempting to have one litigant pay another litigant’s

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166 Nantkwest, 898 F.3d at 1190 (citing Key Tronic Corp. v. United States, 511 U.S. 809, 819 (1994) (declining to award attorney’s fees where the relevant section did not utilize explicit language to shift fees, while other sections of the statutory scheme used express language to shift fees)).

167 Id. at 1191 (quoting Ark. Dep’t of Human Servs., Div. of Econ. & Med. Servs. V. Kistler, 320 Ark. 501, 509 (1995)).

168 Shammas v. Focarino, 784 F.3d 219, 222–23 (4th Cir. 2015) (citing Alyeska Pipeline Co. v. Wilderness Soc’y, 421 U.S. 240, 245 (1975)). While the court was quick to reach for Black’s Law Dictionary to define “expenses,” it declined to consider Black’s Law Dictionary’s definition of the American Rule, which more accurately aligns with the Nantkwest and Baker Botts courts, among others. American Rule, BLACK’S LAW DICTIONARY (10th ed. 2014) (“The general policy that all litigants, even the prevailing one, must bear their own attorney’s fees. The rule is subject to bad-faith and other statutory and contractual exceptions.”).

169 See Shammas, 784 F.3d at 223–24.

170 See supra Part II.D.


172 Nantkwest, 898 F.3d at 1184.
attorney’s fees. In this context, neither of the statutes provide the specific and explicit statutory language that would be required to displace the American Rule.

B. Granting USPTO Attorney’s Fees is Contrary to the Principles of the American Rule

The Nantkwest court’s application of the American Rule to § 145 and its finding that the statutory language is not “explicit and sufficient” to displace the American Rule demonstrates that the rule remains a “bedrock principle” applicable to all statutes.\(^{173}\) The Shammas court relied on a narrow reading of Alyeska Pipeline to support the idea that the American Rule applies only to shifting fees from the prevailing party to the losing party.\(^{174}\) In Alyeska Pipeline, the Court focused on the connection between the American Rule and the prevailing party simply because the appeal in question dealt with an award of attorney’s fees to a party who prevailed in the court below. In the Court’s view, the prevailing party was “performing the services of a ‘private attorney general.’”\(^{175}\) But the Court was not making a broad proclamation defining how the American Rule is supposed to function. Instead, it was correcting an improper application of an exception to the American Rule by the court below.\(^{176}\) The Court has defined the American Rule as a default under which “each litigant pays [their] own attorney’s fees, win or lose, unless a statute or contract provides otherwise.”\(^{177}\) There is no requirement of either a winning or a losing party within this definition; all that is established is that when one party is paying the attorney’s fees of another party, a fee is being shifted, and the American Rule has been implicated.

The Shammas court’s interpretation of the American Rule contravenes Chief Justice Warren’s three aims in Fleischmann: access, predictability, and

\(^{173}\) See supra note 39 and accompanying text.

\(^{174}\) See Shammas, 784 F.3d at 222–23.

\(^{175}\) See Alyeska Pipeline Co. v. Wilderness Soc’y, 421 U.S. 240, 241 (1975). The exception applied by the Supreme Court, known as the private attorney general doctrine, provides courts the discretion to award attorney’s fees to “a party who vindicates a right that (1) benefits a large number of people, (2) requires private enforcement, and (3) is of societal importance.” See Carl Cheng, Important Rights and the Private Attorney General Doctrine, 73 Cal. L. Rev. 1929, 1929 (1985). This exception allows for the enforcement of public rights through private lawsuits. Id. at 1929 n.1.

\(^{176}\) See Alyeska Pipeline, 421 U.S. at 246 (internal citations omitted) (“The Court of Appeals [after finding other American Rule exceptions inapplicable] held that the [prevailing party] had acted to vindicate “important statutory rights of all citizens . . .”

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judicial administration. The Shammas court’s determination that the American Rule does not apply to § 1071(b)(3) offends all three aims. Parties bringing civil actions are aware of the costs expected of them at the outset, but the inclusion of attorney’s fees adds a level of uncertainty that would dissuade meritorious trademark reexamination claims, not promote access to courts. This is especially concerning when the attorney’s fees purported to be saved by the USPTO are infinitesimally small in comparison to the increased cost that would be shouldered by trademark applicants should the USPTO spread the burden. The decision to award attorney’s fees impinges on the ability of the applicant seeking reexamination to adequately prepare for the cost of litigation as a whole, and make informed decisions based on that information. The Shammas court instead placed more burdens on applicants, who are left to wonder how much time and how many attorneys and paralegals will be assigned to review the reexamination. An applicant cannot reasonably anticipate the total cost of the USPTO’s attorney’s fees.

The Nantkwest court properly applied the American Rule to its analysis of § 145, which includes the same “all expenses” language found in § 1071(b)(3) that the Shammas court analyzed. These statutes must be viewed in the context of the American Rule, and must be analyzed to determine whether there is reason to fee-shift that is explicitly and specifically stated by Congress. It is clear that none of the exceptions to the American Rule apply to either § 145 or § 1071(b)(3), as they are not securing any trust fund, common fund, or common benefit. Additionally, neither case involved misconduct or bad faith of the losing party. The only possible avenue to shifting attorney’s fees in both these cases is through “explicit and sufficient” statutory intent. In a vacuum, the Shammas court’s analysis of § 1071(b)(3) may have been persuasive. The generally understood connotation of “all expenses” could include attorney’s fees as a reward, and those attorney’s fees could be considered a part of the proceeding. But when Congress utilizes vague statutory language that could be generally understood to include attorney’s fees, the Supreme Court regularly declines to interpret such language as a catch-all.

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178 See supra notes 53–54 and accompanying text.
179 See infra notes 219, 221 and accompanying text.
181 See supra notes 48–50 and accompanying text.
182 See supra notes 51–52 and accompanying text.
language as sufficient to meet a “specific and explicit” requirement is inherently untenable. The Shammas court sidestepped the requisite statutory construction for fee-shifting, reaching its own conclusion based solely on a “plain meaning” interpretation. By contrast, the Nantkwest court properly recognized that a “plain meaning” interpretation would be untenable since Congress has provided an extensive list of statutory references from which the meaning of “explicit and sufficient” can be derived.

C. Not Granting Attorney’s Fees Respects Congress’s Intent

The Shammas court found that the American Rule does not apply to § 1071(b)(3) because it does not refer to a “prevailing party” and contains language that could plausibly encompass attorney’s fees. While the majority cites tenuous supporting precedent, its failure to recognize the construction of the statute as a whole led the court astray. In Key Tronic, the Supreme Court was tasked with interpreting 42 U.S.C. § 9607(a)(4)(B) to determine whether it provides for the awarding of attorney’s fees. The statute allows for the recovery of “any other necessary costs of response incurred by any other person consistent with the national contingency plan.” The Court concluded that because other sections in the chapter allow attorney’s fees while § 9607(a)(4)(B) does not, it would be inappropriate to presume that Congress intended to allow such recovery. The Court rested its decision on the principle that when Congress uses language in one section of a statute but does not include it in another, it is

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186 See generally supra notes 161–162 and accompanying text.
187 Shammas v. Focarino, 784 F.3d 219, 223, 227 (4th Cir. 2015).
188 Id. at 223 (citing Alyeska Pipeline Co. v. Wilderness Soc’y, 421 U.S. 240, 245 (1975), and Ruckelshaus v. Sierra Club, 463 U.S. 680, 684 (1983)).
189 The Court refers to this statute as CERCLA § 107, but for clarity, the full citation of the statute will be used. See 42 U.S.C. § 9607(a)(4)(B) (2018).
190 See Key Tronic Corp. v. United States, 511 U.S. 809, 814 (1994).
191 42 U.S.C. § 9607(a)(4)(B)
192 See id. § 9606(b)(2)(E) (referencing 28 U.S.C. § 2412(d)(2)(A), which defines “fees and other expenses” to include attorney’s fees); id. § 9659(f) (“The court . . . may award costs of litigation (including reasonable attorney and expert witness fees) to the prevailing [party.]”).
193 See Key Tronic, 551 U.S. at 818–19.
presumed to be purposeful. The Shammas court made no reference to the numerous statutory provisions within the Lanham Act that specifically and explicitly allow for the recovery of attorney’s fees when considering § 1071(b)(3). Within the Lanham Act, Congress created multiple sections that allow for the recovery of attorney’s fees, such as § 1116(d)(11), and §§ 1117(a) and (b), among others. Further, these sections conform with Congress’s intent to allow for the recovery of attorney’s fees only in “exceptional cases” where there have been “acts which courts have characterized as malicious, fraudulent, deliberate, or willful.” The language used in these sections are sufficiently specific and explicit to overcome the American Rule, falling under the Nantkwest court’s first category of statutory drafting, while the language in § 1071(b)(3) is not. If the Shammas court had considered the existence of these sections of the Lanham Act, the court would have been hard pressed to wave away the fact that Congress had made clear when and under what circumstances it wanted to displace the American Rule. The statutory construction of the Lanham Act makes clear that § 1071(b)(3) was purposely excluded from being a part of such distinction.

The Nantkwest court considered Key Tronic in its analysis of § 145, and examined the larger statutory construction before concluding that § 145 does not allow attorney’s fees. Because of the existence of sections that either explicitly allowed attorney’s fees, or cross-referenced sections that did allow attorney’s fees, it would be near impossible to say that, despite specific and explicit language in other portions of the statutory construction, Congress still intended to include attorney’s fees by simply stating “all costs.”

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194 Russello v. United States, 464 U.S. 16, 23 (1983) (”[W]here 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.”) (citation omitted).


196 Id. § 1117(a) (authorizing recovery of “reasonable attorney fees”); id. § 1117(b) (authorizing recovery of “reasonable attorney fee[s]”).

197 See, e.g., id. § 1114(2)(D)(iv) (authorizing recovery to include “costs and attorney’s fees”); id. § 1122(c) (authorizing recovery of “damages, profits, costs and attorney’s fees”).


199 See supra note 161 and accompanying text.

200 Nantkwest, Inc. v. Iancu, 898 F.3d 1177, 1190 (Fed. Cir. 2018) (en banc), cert. granted, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019) (No. 18-801) (“[T]he Supreme Court in Key Tronic found it persuasive that Congress included express provisions for fee awards in related statutes without including a similar provision in the statute at issue.”).

201 See supra notes 164–166 and accompanying text. This is further bolstered by the fact that § 285 is cross-referenced by several sections in relation to patent litigation, but Congress explicitly chose not to include such cross-reference in § 145. In a similar vein, it is unlikely
Congress could have either included the language found within these sections elsewhere to denote allowable fee-shifting, or cross-referenced to § 285, but it chose neither. The Nantkwest court properly held that § 145 is insufficiently specific and explicit to shift attorney’s fees in light of these considerations. This holding is in line with precedent that properly ascertains Congress’s intent based on the entirety of the statutory scheme instead of failing to see the forest for the trees.

D. USPTO Has Recently Attempted to Restrict § 145 Actions

The USPTO’s attempt to recover attorney’s fees is a continuation of its attempt to hinder access to § 145 civil actions. Not only this, the attempted interference is in contravention of Congress’s intent, as explained above, and should be rejected until the time that Congress determines that displacing the American Rule in trademark and patent application civil actions is appropriate.

In Kappos v. Hyatt, the USPTO attempted to restrict the evidentiary record of the district court in a § 145 action to what was reviewed by the PTAB. In a unanimous decision, the Supreme Court rejected the USPTO’s argument and affirmed the Federal Circuit’s holding that Congress intended applicants to be able to introduce new evidence in a § 145 civil action so long as it does not violate the Federal Rules of Civil Procedure and the Federal Rules of Evidence. It is noted that, while judicial review of an agency decision is commonly limited to the record of the administration from which the appeal is derived, this principle is not applied to § 145 civil actions because they are de novo proceedings.

This endeavor to hinder § 145 civil actions is visible in the USPTO’s attempted use of 37 C.F.R. § 41.37(c)(1)(iv) to restrict the court’s consideration of § 145 actions. In BTG Intern. Ltd. v. Kappos, the
USPTO argued that 37 C.F.R. § 41.37(c)(1)(iv) established that when a patent applicant fails to present to the PTAB an argument “specifically directed to the patentability of any specific patent claim,” the PTAB may determine a “representative claim” upon which the rest of the claims’ patentability will be assessed. As a result, this would, in effect, restrict the district court’s scope of review of a patent application in a § 145 civil action by only allowing consideration of the “representative claim” determined by the PTAB. In another defeat for the USPTO, the court held that 37 C.F.R. § 41.37 does not restrict the broad scope of a § 145 civil action. The court noted that although the rule allowed the consolidation of all claims into a single “representative claim” when an appeal is before the PTAB, that does not restrict the district court to the “representative claim.”

A proposed version of the Innovation Act included language that would repeal § 145. The repeal would shift all civil actions that would have been heard in the Eastern District of Virginia to the Court of Appeals for the Federal Circuit. With this process, the Innovation Act would eliminate the de novo review that is allowed through § 145, and thereby remove any possibility to introduce evidence outside what was required by the PTAB at the time of application. This would tie the hands of appellants to the record of the PTAB, making it far more difficult to vindicate their rights. This proposal was likely in response to the decision in Kappos that announced that applicants in § 145 civil actions can introduce further evidence than what was relied upon by the USPTO. The aversion to the established accessibility and flexibility that § 145 has allowed over the years has been present throughout, and it continues today.

The attempted collection of attorney’s fees in § 145 civil actions came after the aforementioned maneuvers failed to provide the USPTO with the results it had sought. According to the USPTO, the collection of attorney’s fees has always had Congressional blessing through the language of § 145,
yet prior to 2013 the USPTO has never attempted to collect attorney’s fees under patent and trademark laws. The collection of attorney’s fees in this context would be far more detrimental that beneficial. Although the USPTO could not provide an exact number of § 145 civil actions each year, the total attorney’s fees that the USPTO would recover would be minimal compared to the chilling effect that would result from patent applicants having to factor in the USPTO’s attorney’s fees in addition to their own litigation expenses.219 Regardless of the supposed small number of § 145 civil actions over the years, allowing the USPTO to shift its attorney’s fees would merely complicate an alternate, and already more expensive,220 path to resolution should a patent applicant choose to do so. This same approach can be applied to § 1071(b)(3); the attorney’s fees the USPTO would recover would be a drop in the ocean compared to the chilling of trademark applicants seeking a de novo civil action.221

The USPTO has repeatedly attempted to hinder § 145 civil actions, whether it be through restricting the record that may be examined by the court, restricting jurisdiction of the court by narrowing the claims, or

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217 Shammas v. Focarino, 784 F.3d 219, 230 n. 4 (4th Cir. 2015).
218 See Oral Argument at 19:19–20:10, Nantkwest, Inc. v. Iancu, 898 F.3d 1177 (Fed. Cir. 2018) (No. 2016-1794), http://oralarguments.cafc.uscourts.gov/default.aspx?f=20 16-1794.mp3 (the USPTO failed to provide the number of § 145 civil actions within the last twenty years, but estimates that there have been four to five § 145 civil actions in the past three years).
219 The Nantkwest court offers a conservative calculation of the possible impact of preventing the USPTO from collecting attorneys’ fees: assuming the USPTO litigates ten § 145 civil actions each year, with an average attorneys’ fees cost of $100,000, the total USPTO expenditure would amount to $1 million per year. Nantkwest, Inc. v. Iancu, 898 F.3d 1177, 1196 (Fed. Cir. 2018) (en banc), cert. granted, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019) (No. 18-801). Assuming that the number of patent applications meets the USPTO’s projections, over 627,000, the attorneys’ fees costs incurred from litigating § 145 civil actions could be alleviated with an application fee increase of $1.60 per application. Id.; see U.S. Patent and Trademark Office, Fiscal Year 2018 Congressional Justification 11 (2017) https://www.uspto.gov/sites/default/files/documents/fy18pbr.pdf (projecting 627,274 patent applications for the fiscal year 2018).
220 See 35 U.S.C. § 141 (2018) (excluding the language “all expenses of the proceedings shall be paid by the applicant”). The choice to pursue a § 145 civil action as opposed to a § 141 appeal already carries its own burdens for the patent applicant, allowing the USPTO to recover more miscellaneous expenses.
221 The number of § 1071(b)(3) civil actions each year is unavailable. Assuming that the number of § 1071(b)(3) civil actions is similar to the number of § 145 civil actions, the same calculation can be done as in the Nantkwest court to estimate cost. With the same conservative estimate of ten civil actions a year costing $1 million per year, and assuming that the number of trademark applications meets the USPTO’s projections, 610,000, the attorneys’ fees costs incurred from litigating § 1071(b)(3) civil actions could be alleviated with an application fee increase of $1.64 per application. See U.S. Patent and Trademark Office, Fiscal Year 2018 Congressional Justification 14 (2017) https://www.uspto.gov/sites/default/files/documents/fy18pbr.pdf (projecting 610,000 trademark applications for the fiscal year 2018).
attempting to have the section repealed entirely. When these attempts failed, and despite previously never requesting attorney’s fees, the USPTO attempted to collect attorney’s fees from a statute which required “expenses” to be paid by the applicant. Suddenly, after 170 years, and coincidentally after previous failed attempts to restrict §145, the USPTO has found meaning that allegedly had been present the entire time, but they were unable to see until recently. It appears that the USPTO would prefer to have greater control over § 145 actions than is allowed, and is uninterested in review and interference by the courts. The position of the USPTO is not only based on an improper interpretation of the language “all expenses” and, to a certain extent, reactionary to action by the courts, but also in contravention of Congressional intent, and should be rejected.

V. CONCLUSION

The American Rule has been embedded in our legal system for over 200 years. Over time, we have recognized exceptions to the “pay your own way” approach to attorney’s fees, and have respected Congress’s ability to displace the American Rule where it sees fit. In the case of trademark and patent application civil actions, it is wholly improper for courts to find that the language that has been utilized in § 1071(b)(3) and § 145 would be sufficient to displace the American Rule. Doing so is not only an affront to the principles of the American Rule and its goal to allow greater access to the legal system, but also disregards Congress’s presumed purposeful drafting schemes and statutory constructions. The Supreme Court has granted certiorari in Nantkwest to settle this dispute, and the proper

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222 35 U.S.C. § 145 (“All the expenses of the proceedings shall be paid by the applicant.”) (emphasis added). The Supreme Court has explained that “shall” in statutory construction is “ordinarily ‘the language of command,’” and that when “may” and “shall” are both used in a statute, their ordinary meaning is that “may” is permissive and “shall” is mandatory. Anderson v. Yungkau, 329 U.S. 482, 485 (1947).

223 See Nantkwest, 898 F.3d at 1189 n.5 (“[I]t is unclear why it took the [USPTO] more than 170 years to appreciate the statute’s alleged clarity and seek the attorney’s fees that are statutorily mandated under its interpretation.”).

224 See Miller & Archibald, 92 J. PAT. & TRADEMARK OFF. SOC’y 498, 534 (2010) (“The [USPTO’s] interpretative rulemaking and legislative lobbying on Capitol Hill reveal the agency’s ultimate goal of making the [PTAB] for all intents and purposes the review-tribunal of last resort tantamount to the status of an Article III court[,]”); Miller and Archibald also posited that the USPTO would attempt to abolish district court review allowed by § 145 three years prior to the USPTO attempting, and failing, to repeal through congressional lobbying. Id.; see supra notes 213–216 and accompanying text.

225 See Amy Howe, Justices Add Patent-Fees Case to Next Term’s Docket, SCOTUSBLOG (Mar. 4, 2019, 11:56 AM), https://www.scotusblog.com/2019/03/justices-add-patent-fees-case-to-next-terms-docket/. Andrei Iancu has recused from the case, and the Deputy Director of the USPTO, Laura Peter, has been substituted as petitioner. The case is proceeding as Peter v. Nantkwest.
solution is clear: whether it be trademark application civil actions or patent application civil actions, unless Congress decides to amend the statutes in question, the Supreme Court should decline to allow for the recovery of attorney’s fees based on vague, ill-defined statutory language insufficient under Supreme Court precedent, which would do more harm than good.