

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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¹ The USPTO recently celebrated the issuance of its ten millionth patent. U.S. DEPT. COM., *10 Million Patents: A Celebration of American Innovation*, USPTO (June 14, 2018), <https://www.commerce.gov/news/blog/2018/06/10-million-patents-celebration-american-innovation>.

² There are four different types of patent applications available, depending on what an applicant seeks to patent and in what form. See *Types of Patent Applications and Proceedings*, USPTO, <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applicationsproceedings> (last visited Sept. 24, 2019).

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.

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.¹⁰ 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*,¹¹ 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 1790¹² 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.”¹³ 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.¹⁴ This trio operated under the

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.

¹² Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109-12.

¹³ *Id.*

¹⁴ *Id.*

Department of State.¹⁵ 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.¹⁶ 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.¹⁷ The agency was subsequently shifted to the Department of the Interior,¹⁸ then to the Department of Commerce, where it remains today.¹⁹ 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.²⁰

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.²¹ If the patent application is denied twice, the applicant may appeal the decision of the USPTO examiner to the PTAB for reexamination.²² 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.²³ 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.

¹⁸ Act of Mar. 3, 1849, ch. 108, 9 Stat. 395.

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.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.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.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.”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.²⁸ Congress established these reviews as a response to the flood of lawsuits that had found their way into the legal system.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.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.³¹ Second, the compensation provided to those participating on the board of examiners was

action).

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.”)

²⁵ See generally *id.* § 145; *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 Federal Rules of Civil Procedure.”); *Folkins v. Watson*, 129 F.Supp 362, 365 (D.D.C. 1954) (“The proceeding [is] a proceeding *de novo* and [is] not merely a review of the Patent Office proceedings.”), *aff’d*, 223 F.2d 347 (D.C. Cir. 1955).

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 aris[ing] . . . 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.

³⁰ Act of July 4, 1836, ch. 357 § 7, 5 Stat. 117, 119–20.

³¹ See P.J. Federico, *The Patent Office in 1839*, 21 J. PAT. OFF. SOC’Y 786, 791 (1939).

so small that there was difficulty finding people who would agree to serve, again slowing down the process.³² 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.³³

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.”³⁴ This language was altered in 1870 while retaining the original meaning,³⁵ and was subsequently codified in the Patent Act of 1952.³⁶ 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.³⁷ 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.³⁸

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.

³⁴ See Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 353, 354.

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 counsels’ 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

displace the American Rule, see *infra* Part II.D. For further examples of language that the courts have acknowledged as being sufficiently “specific and explicit,” see *infra* notes 161–162 and accompanying text.

³⁹ See *Hardt v. Reliance Std. Life Ins. Co.*, 560 U.S. 242, 252–53 (2010).

⁴⁰ 3 U.S. 306, 306 (1796).

⁴¹ *Id.*

⁴² *Id.*

⁴³ See A.-H Chroust, *THE RISE OF THE LEGAL PROFESSION IN AMERICA* 85-327 (1965); Theodore Eisenberg & Geoffrey P. Miller, *The English Versus the American Rule on Attorney Fees: An Empirical Study of Public Company Contracts*, 98 CORNELL L. REV. 327, 329 (2013).

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.

⁴⁵ See John Leubsdorf, *Toward a History of the American Rule on Attorney Fee Recovering Attorney Fee Recovery*, 47 LAW & CONTEMP. PROBS. 9, 11 (1984).

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

of Damages, 15 MINN. L. REV. 619, 620 n.7 (1931) (noting that a statute that awarded attorneys fifteen shilling in 1745 was unchanged for seventy-five years).

⁴⁷ See Stephen R. Ginger, *Attorneys' Fees Awards to Contract Nonsignatories: Should Equitable Estoppel Inform the Discretion of the Courts?*, 40 GOLDEN STATE U. L. REV. 15, 20 (2009) (noting the reception of the *Arcambel* decision and the numerous exceptions created by courts and legislatures alike).

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).

⁵³ *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 718 (1976).

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.⁵⁵ 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.⁵⁶

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*⁵⁷ and *Baker Botts v. ASARCO*.⁵⁸ The second is the "non-prevailing party" precedent, best displayed by *Hardt v. Reliance Standard Life Insurance Company*⁵⁹ and *Ruckelshaus v. Sierra Club*.⁶⁰

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*.⁶¹ In *Jean*, the Court addressed whether 28 U.S.C. § 2412(d)(1)(A)⁶² allowed for deviation from the American Rule.⁶³ This EAJA statute uses the terms "prevailing party," "fees," and "civil action" to establish its intent to displace the American Rule.⁶⁴ 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).

⁵⁶ See generally Michael Kao, *Calculating Lawyers' Fees: Theory and Reality*, 51 UCLA L. Rev. 825, 829–33 (2004).

⁵⁷ 496 U.S. 154 (1990).

⁵⁸ 135 S. Ct. 2158 (2015).

⁵⁹ 560 U.S. 242 (2010).

⁶⁰ 463 U.S. 680 (1983).

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.⁶⁵ The Court subsequently in *Baker Botts* explained that what it required was a statute that includes the terms “fees,” a “prevailing party,” and “civil action” to displace the American Rule.⁶⁶ 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.⁶⁷ 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.⁶⁸ 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.”⁶⁹ 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 “[a]n 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.”⁷⁰ 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.⁷¹ 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.’”⁷² The *Hardt* Court cited *Ruckelshaus* as the principal case regarding “non-prevailing party” precedent.⁷³ The *Ruckelshaus* Court addressed whether it was appropriate for the lower courts to award attorney’s fees

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).

⁷⁰ See 5 U.S.C. § 504(a)(1) (2018) (emphasis added).

⁷¹ *Hardt v. Reliance Std. Life Ins. Co.*, 560 U.S. 242, 251–52 (2010); see 29 U.S.C. § 1132(g)(1) (2018) (“[T]he court in its discretion may allow a reasonable attorney’s fee and costs of action to either party.”).

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. Focarino*⁸¹ 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

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.”).

⁷⁵ *Ruckelshaus v. Sierra Club*, 463 U.S. 680, 682 (1983).

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.

⁷⁸ *See* 2 U.S.C. § 396 (2018) (emphasis added).

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).

⁸⁰ *See generally* *Hardt v. Reliance Std. Life Ins. Co.*, 560 U.S. 242, 253 (2010).

⁸¹ 784 F.3d 221 (4th Cir. 2015).

party bringing the case.”⁸² After analyzing the language and structure of the statute, the court held that it indeed allowed for the recovery of attorney’s fees.⁸³

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.⁸⁴ After criticism of the *Shammas* court’s analysis of § 1071(b)(3),⁸⁵ the *Nantkwest* court held that the language and structure of the statute did not allow for recovery of attorney’s fees.⁸⁶ 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.⁸⁷

A. *Shammas v. Focarino*

1. Facts of the Case

Plaintiff Milo Shammas was the owner of a gardening supply company, Dr. Earth, Inc.⁸⁸ Shammas filed a trademark application for the mark “PROBIOTIC” which was to be used in conjunction with Dr. Earth fertilizer products.⁸⁹ 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.⁹⁰ Shammas appealed this decision by the USPTO attorney to the Trademark Trial and Appeal Board (“TTAB”), who affirmed the decision of the USPTO attorney.⁹¹ The Lanham Act provides two options for review: an appeal to the Federal Circuit, or a de novo civil action in the district court.⁹² Shammas

⁸² *Id.* at 222.

⁸³ *Id.* at 227.

⁸⁴ *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1180 (Fed. Cir. 2018) (en banc), *cert. granted*, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019) (No. 18-801).

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.

⁸⁷ *Compare* 15 U.S.C. § 1071(b)(3) (2018) (“[A]ll the expenses of the proceeding shall be paid by the party bringing the case[.]”), *with* 35 U.S.C. § 145 (2018) (“All the expenses of the proceedings shall be paid by the applicant.”).

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 *4.

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 Shammass "had failed to cast doubt on the finding that 'PROBIOTIC' was a generic term."⁹³ The USPTO then filed a motion to be reimbursed for the expenses incurred as a result of the proceeding, pursuant to § 1071(b)(3).⁹⁴ These expenses totaled \$35,926.59, which included the combined expenses of two USPTO attorneys' prorated salaries, and one paralegal.⁹⁵ Shammass 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.⁹⁶ 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.'"⁹⁷ 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.⁹⁸ Shammass appealed the court order requiring that he pay the prorated attorneys' and paralegal's fees.⁹⁹

2. The *Shammass* Court's Analysis

The Fourth Circuit began by addressing Shammass'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

Court of Appeals for the Federal Circuit . . ."); *id.* § 1071(b)(1) ("Whenever a person authorized by subsection (a) of this section to appeal to the United States Court of Appeals for the Federal Circuit and is dissatisfied with the decision of the Director or [TTAB], said person may, [unless a 1071(a)(1) appeal has commenced], have a remedy by a civil action . . ."). The structure of the appeal and civil action process in the Lanham Act is the same as the process in the Patent Act of 1952. *See* 35 U.S.C. § 141; *id.* § 145.

⁹³ *Shammass*, 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 *Shammass*, 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.*

⁹⁷ *Shammass v. Focarino*, 990 F.Supp.2d 587, 591 (E.D. Va. 2014).

⁹⁸ *Id.*

⁹⁹ *Shammass*, 784 F.3d at 222.

fee-shifting and displace the American Rule.¹⁰⁰ The Fourth Circuit seized on Shammass's acknowledgement that the term "expenses" is broad enough to encompass attorneys' and paralegals' fees.¹⁰¹ 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.¹⁰² Further, citing *Wisconsin v. Hotline Indus., Inc.*,¹⁰³ 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.¹⁰⁴

Having dealt with the issue of what the phrase "all expenses" includes, what is left of Shammass'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.¹⁰⁵ The Fourth Circuit began its analysis of Shammass's argument by stating that his assumption that the American Rule applied was "misplaced under the circumstances."¹⁰⁶ 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.¹⁰⁷ This purpose ties into the "express authorization" that Shammass 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.*"¹⁰⁸ 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

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.*; see 15 U.S.C. 1071(a)(1).

¹⁰³ 236 F.3d 363 (7th Cir. 2000)

¹⁰⁴ *Shammass*, 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 *Shammass*, 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 *Shammass*, 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 Shammass 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 Shammass: 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 Shammass'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,”

¹⁰⁹ *Shammass*, 784 F.3d at 223.

¹¹⁰ *Id.*; see 15 U.S.C. 1071(b)(3) (emphasis added).

¹¹¹ See *Shammass*, 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 *Shammass*, 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 *Shammass*, 784 F.3d at 225.

¹¹⁸ *Id.*

regardless of success, Congress intended to alleviate the burden on the USPTO having to defend its findings.¹¹⁹ Additionally, in examining the breakdown of the USPTO's expenses incurred in the proceeding, 98% are attributable to attorneys' and paralegals' fees.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).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."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]."¹²³ The Patent Act additionally differentiated between the terms "expense" and "cost."¹²⁴ The Lanham Act's passage "[incorporated] the procedures for appellate review of patent application denials in trademark proceedings."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.¹²⁶

B. *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.¹²⁷ Dr. Klingemann's patent application was assigned to Nantkwest, and the application was

¹¹⁹ *Id.*

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *Id.* at 226.

¹²³ *Shammas*, 784 F.3d at 226 (citing Act of July, 1836, ch. 357, § 9, 5 Stat. 117, 121).

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).

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).

¹²⁶ *Id.* at 227.

¹²⁷ *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1183 (Fed. Cir. 2018) (en banc), *cert. granted*, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019) (No. 18-801).

rejected in 2010 for being “obvious.”¹²⁸ The PTO Board affirmed the rejection of Nantkwest’s patent in 2013, resulting in Nantkwest’s civil action under § 145.¹²⁹ At the close of discovery, the USPTO moved for, and was granted, summary judgment.¹³⁰ 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.¹³¹ 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.¹³² The USPTO appealed the denial of the motion, and a Federal Circuit panel reversed.¹³³ The panel relied heavily on the *Shammas* opinion.¹³⁴ 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.¹³⁵

2. The *Nantkwest* Court’s Analysis

As an initial matter, the Federal Circuit held that the American Rule applies to § 145,¹³⁶ 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.¹³⁷ The USPTO relied on the *Shammas* opinion for the position that that the American Rule should not apply to § 145, which the Federal Circuit found unpersuasive.¹³⁸ 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*,¹³⁹ which states that “the American Rule provides only that ‘the prevailing party may not recover attorneys’ fees from the losing party.’”¹⁴⁰ The Federal Circuit drew attention

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.

¹³⁹ 421 U.S. 240 (1975).

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."¹⁴¹ 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 § 145.¹⁴² 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.¹⁴³ 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.'"¹⁴⁴

The Federal Circuit next turned to the Fourth Circuit's application of *Ruckelshaus*.¹⁴⁵ 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.¹⁴⁶ 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.¹⁴⁷ In an attempt to bolster its position, the USPTO cited *Sebelius v. Cloer*,¹⁴⁸ which interpreted a statute requiring the payment of attorney's fees whether or not the party succeeded without discussing the American Rule.¹⁴⁹ 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."¹⁵⁰

421 U.S. at 245) (emphasis in original).

¹⁴¹ *Nantkwest*, 898 F.3d at 1185.

¹⁴² *See id.*

¹⁴³ *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 251–52 (2010); *see* 29 U.S.C. § 1132(g)(1) (2018) ("[T]he court in its discretion may allow a reasonable attorney's fee and costs of action to either party.").

¹⁴⁴ *Hardt*, 560 U.S. at 254.

¹⁴⁵ For the *Shammas* court's application of *Ruckelshaus v. Sierra Club*, 463 U.S. 680 (1983), *see supra* notes 108–109 and accompanying text.

¹⁴⁶ *Nantkwest*, 898 F.3d at 1185; *see Ruckelshaus*, 463 U.S. at 682–84.

¹⁴⁷ *Nantkwest*, 898 F.3d at 1185–86 (citing *Baker Botts, L.L.P. v. ASARCO, LLC*, 135 S. Ct. 2158, 2165 (2015) (bankruptcy statute); *Key Tronic Corp. v. United States*, 511 U.S. 809, 819 (1994) (environmental statute); *Summit Valley Indus. v. Local 112, United Bhd. of Carpenters*, 456 U.S. 717, 722 (1982) (unfair labor practice statute)).

¹⁴⁸ 569 U.S. 369 (2013).

¹⁴⁹ *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").

¹⁵⁰ *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.¹⁵¹ 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.¹⁵² 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.¹⁵³ These statutory language choices must, nonetheless, convey a “specific and explicit” instruction to displace the American Rule.¹⁵⁴ Next, the Federal Circuit noted that § 145 does not evince the “specific and explicit” authorization by Congress to depart from the American Rule.¹⁵⁵ 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.¹⁵⁶ The Federal Circuit countered the USPTO’s dictionary definition of “expense”¹⁵⁷ with the definition of “expense” from other dictionaries in the same time period¹⁵⁸ 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.”¹⁵⁹

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.”¹⁶⁰ Two categories of statutory drafting were recognized, the first being statutes that award both “expenses” and “attorneys’ fees,”¹⁶¹ and the second being statutes that explicitly define “expenses” to include “attorneys’ fees.”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.”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.”¹⁶⁴ This section not only allows an award of attorney’s fees, but is cross-referenced in other sections of the Patent Act.¹⁶⁵ By omitting “attorneys’ fees” from its statutory language, § 145 “strongly

¹⁶⁰ *Id.* at 1188.

¹⁶¹ *See, e.g.*, 11 U.S.C. § 363(n) (2018) (“[A]ny costs, attorneys’ fees, or expenses incurred”); 12 U.S.C. § 1464(d)(1)(b)(vii) (2018) (“[R]easonable expenses and attorneys’ fees”); 12 U.S.C. § 1786(p) (same); 25 U.S.C. § 1401(a) (2018) (“[A]ttorney fees and litigation expenses”); *id.* § 6673(a)(2)(A) (“excess costs, expenses, and attorneys’ fees”); 15 U.S.C. § 77z-1(a)(6) (2018) (defining the amount of attorney’s fees and expenses awardable); 38 U.S.C. § 4323(h)(2) (2018) (“[R]easonable attorney fees, expert witness fees, and other litigation expenses”); Use of “expenses” to include attorney’s fees, despite intentionally creating the distinction between the two within these statutes, would be “an inexplicable exercise in redundancy.” *W. Va. Univ. Hosps. v. Casey*, 499 U.S. 83, 92 (1991).

¹⁶² *See, e.g.*, 12 U.S.C. § 5005(b)(2)(B) (2018) (“[E]xpenses (including costs and reasonable attorney’s fees and other expenses of representation.)”); 10 U.S.C. § 2409(c)(1)(C) (2018) (“[A]ggregate amount of all costs and expenses (including attorneys’ fees and expert witnesses’ fees.)”); 15 U.S.C. § 2310(d)(2) (“[A]ggregate amount of cost and expenses (including attorneys’ fees based on actual time expended.)”); 28 U.S.C. § 1447(c) (2018) (“[J]ust costs and any actual expenses, including attorney fees”); 29 U.S.C. § 1370(e)(1) (2018) (“[T]he costs and expenses incurred in connection with such action, including reasonable attorney’s fees”); 30 U.S.C. § 938(c) (2018) (“[A] sum equal to the aggregate amount of all costs and expenses (including attorney’s fees)”); 41 U.S.C. § 4705(d)(1)(C) (2018) (“[A]n amount equal to the aggregate amount of all costs and expenses (including attorney’s fees”); 42 U.S.C. § 247d-6d(e)(9) (2018) (“[R]easonable expenses incurred . . . including a reasonable attorney’s fee.”); 2 U.S.C. § 396 (“[R]easonable expenses of the contested election case, including reasonable attorneys fees”). Use of “attorneys’ fee” as an explanatory term that modifies “expense” shows that “Congress viewed [the terms “expense” and “attorneys’ fees”] as distinct tools in its toolbox of recovery items,” and courts should avoid interpreting statutes in a way that creates redundancy. *Nantkwest*, 898 F.3d at 1189.

¹⁶³ *Nantkwest*, 898 F.3d at 1189–90.

¹⁶⁴ *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 *Id.* § 271(e)(4) (cross-referencing § 285); *id.* § 273(f) (cross-referencing § 285).

suggest[s] a deliberate decision not to authorize such awards.”¹⁶⁶ The court also considered past judicial use of the term “expenses,” noting that it “does not ordinarily include attorney’s fees.”¹⁶⁷

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.”¹⁶⁸ 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.¹⁶⁹ 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.¹⁷⁰

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.”¹⁷¹ This is the definition that the *Nantkwest* court relied upon.¹⁷² 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

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.

¹⁷¹ *Hardt v. Reliance Std. Life Ins. Co.*, 560 U.S. 242, 252–53 (2010); *see supra* note 168.

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"

¹⁷⁷ See *Hardt v. Reliance Std. Life Ins. Co.*, 560 U.S. 242, 252–53 (2010). For discussion of the exceptions to the American Rule, see *supra* Part II.C.

judicial administration.¹⁷⁸ 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.¹⁷⁹ 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.¹⁸⁰ 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.¹⁸¹ Additionally, neither case involved misconduct or bad faith of the losing party.¹⁸² The only possible avenue to shifting attorney's fees in both these cases is through "explicit and sufficient" statutory intent.¹⁸³ 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.¹⁸⁴ Interpreting vague statutory

¹⁷⁸ See *supra* notes 53–54 and accompanying text.

¹⁷⁹ See *infra* notes 219, 221 and accompanying text.

¹⁸⁰ *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1184 (Fed. Cir. 2018) (en banc), *cert. granted*, 87 U.S.L.W. 3343 (U.S. Mar. 7, 2019) (No. 18-801).

¹⁸¹ See *supra* notes 48–50 and accompanying text.

¹⁸² See *supra* notes 51–52 and accompanying text.

¹⁸³ See *Baker Botts, L.L.P. v. ASARCO, LLC*, 135 S. Ct. 2158, 2161 (2010).

¹⁸⁴ See, e.g., *Summit Valley Indus. v. Local 112, United Bhd. of Carpenters*, 456 U.S. 717, 721–22, 726 (1982) (rejecting 29 U.S.C. § 187(b)'s language of "shall recover the

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.¹⁸⁵ 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.¹⁸⁶

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.¹⁸⁷ While the majority cites tenuous supporting precedent,¹⁸⁸ 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)¹⁸⁹ to determine whether it provides for the awarding of attorney’s fees.¹⁹⁰ The statute allows for the recovery of “any other necessary costs of response incurred by any other person consistent with the national contingency plan.”¹⁹¹ The Court concluded that because other sections in the chapter allow attorney’s fees awards¹⁹² while § 9607(a)(4)(B) does not, it would be inappropriate to presume that Congress intended to allow such recovery.¹⁹³ 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

damages by him sustained and the cost of the suit” as insufficiently specific and explicit); *Key Tronic Corp. v. United States*, 511 U.S. 809, 818 (1994) (rejecting 42 U.S.C. § 9607(a)(4)(B)’s language of “any other necessary costs of response incurred by any other person” as insufficiently specific and explicit).

¹⁸⁵ The plain meaning rule applied by the *Shammas* court is anything but plain. For further discussion, see generally William Baude & Ryan D. Doerfler, *The (Not So) Plain Meaning Rule*, 84 U. CHI. L. REV. 539, 546–50 (2017); Maxine D. Goodman, *Reconstructing the Plain Language Rule of Statutory Construction: How and Why*, 65 MONT. L. REV. 229, 236–41 (2004).

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.¹⁹⁴

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),¹⁹⁵ and §§ 1117(a) and (b),¹⁹⁶ among others.¹⁹⁷ 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."¹⁹⁸ 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,¹⁹⁹ 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.²⁰⁰ 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."²⁰¹

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).

¹⁹⁵ 15 U.S.C. § 1116(d)(11) (2018) (authorizing recovery of a "reasonable attorney's fee").

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").

¹⁹⁸ *See* S. REP. NO. 93-1400, at 2 (1974).

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,²⁰² 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*,²⁰³ the USPTO attempted to restrict the evidentiary record of the district court in a § 145 action to what was reviewed by the PTAB.²⁰⁴ 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.²⁰⁵ 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,²⁰⁶ this principle is not applied to § 145 civil actions because they are de novo proceedings.²⁰⁷

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.²⁰⁸ In *BTG Intern. Ltd. v. Kappos*,²⁰⁹ the

that based on the language "all expenses of the proceeding," Congress intended the fixed costs of a PTO attorney's salary to be considered part of *the proceeding*, and shifted to the applicants on a pro-rata basis. Whether the proceeding occurs or not, attorney salaries are still an expense incurred by the USPTO, regardless of whether § 1071(b)(3) or § 145 civil actions are commenced.

²⁰² For discussion of Congress's statutory intent, see *supra* Part IV.C.

²⁰³ 566 U.S. 431 (2012).

²⁰⁴ *Id.* at 437.

²⁰⁵ *Id.* at 436.

²⁰⁶ See 5 U.S.C. § 706 ("In making the [determination], the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.").

²⁰⁷ See *BTG Intern.*, 566 U.S. at 438.

²⁰⁸ See 37 C.F.R. § 41.37.

²⁰⁹ No. 12-CV-00682, 2012 WL 6082910 (E.D.Va. Dec. 6, 2012).

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.²¹⁰ 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.²¹¹ 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.”²¹²

A proposed version of the Innovation Act²¹³ included language that would repeal § 145.²¹⁴ 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.²¹⁵ 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.²¹⁶ 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,

²¹⁰ *Id.* at *2.

²¹¹ *See id.* at *5–6.

²¹² *Id.* at *6.

²¹³ H.R. REP. NO. 113-279 (2013). The version of the Innovation Act that was successfully voted in the House to move to the Senate did not contain the proposed repeal of § 145, signaling a lack of appetite for such a measure at the time. *See* H.R. 3309, 113th Cong. (2013).

²¹⁴ H.R. REP. NO. 113-279 at 13 (proposing to repeal 35 U.S.C. § 145).

²¹⁵ *Id.* (proposing to alter the language of 35 U.S.C. § 141, which would require all actions be heard by the Court of Appeals for the Federal Circuit).

²¹⁶ *See supra* notes 203–207. The USPTO is not unfamiliar with lobbying Congress to enact legislation favorable to their preferred method of operation. *See H.R. 6758 Extends Controversial USPTO Fee Authority*, <http://www.usinventor.org/2018/09/13/hr6758/> (last visited Sept. 24, 2019).

yet prior to 2013 the USPTO has never attempted to collect attorney's fees under patent and trademark laws.²¹⁷ The collection of attorney's fees in this context would be far more detrimental than beneficial. Although the USPTO could not provide an exact number of § 145 civil actions each year,²¹⁸ 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

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.cafo.uscourts.gov/default.aspx?fl=2016-1794.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.²²² 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.²²³ 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.²²⁴ 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,²²⁵ and the proper

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 it 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.