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Challenging the Denial of a Trademark Application in District Court Just Got More Expensive

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In *Shammas v. Focarino*, the Eastern District of Virginia holds that an applicant must pay the government attorney's fees regardless of the applicant's success in a Section 1071(b) civil matter.

Applicants wishing to appeal a Trademark Trial and Appeal Board's (TTAB) *ex-parte* denial of a trademark application have long had two options to choose from: (1) file an appeal to the Court of Appeals for the Federal Circuit, or (2) file a civil action in federal district court. Each option has its pros and cons. In an appeal to the Federal Circuit, the applicant is limited to the record before the United States Patent and Trademark Office (USPTO) and cannot present new evidence. Conversely, in a civil action initiated in federal district court, the applicant (or the government) may present new evidence in addition to the record before the USPTO. An applicant may choose this route in an effort to supplement its trademark claim, especially if the applicant failed to put its best evidentiary foot forward before the USPTO. This benefit, however, now comes at a hefty price.

Section 1071(b)(3) directs that in a civil action to appeal the denial of a trademark application "all the expenses of the proceeding shall be paid by the party bringing the case." There is no analogous fee-shifting statute for an appeal to the Federal Circuit under § 1071(a). Thanks to a recent opinion from the Eastern District of Virginia, such "expenses" include the government attorney's fees – win, lose or draw for the applicant.

The *Shammas* Decision

The plaintiff-applicant, Milo Shammas, sought registration of the trademark PROBIOTIC with respect to fertilizers. The TTAB denied federal trademark registration, concluding that the mark was generic with respect to fertilizers and that the mark was descriptive and lacked secondary meaning. Shammas then filed a civil action in the Eastern District of Virginia. Shammas took advantage of § 1071(b)(1) and presented new evidence to the record. The district court subsequently granted summary judgment against Shammas, after which the government promptly moved for its fees and expenses to be paid, *including its attorney's fees*. Indeed, the government claimed only $400 in photocopying expenses but sought $35,000 in attorney and paralegal fees. Shammas opposed on the ground that attorney's fees are not explicitly included in § 1071(b)(3)'s provision of "all expenses of the proceeding."

Despite this being a matter of first impression, the district court made quick work of an issue it described as "a straightforward case of statutory interpretation with the analysis beginning and ending with the plain language of the statute." The district court turned to the dictionary definition of "expenses" from *Black's Law Dictionary* and *Merriam-Webster* and ruled that the plain meaning of the term includes attorney's fees. According to the court, this interpretation is enforced by Congress's addition of the modifier "all." The district court bolstered its ruling by citing to both a litany of statutes that all "explicitly include 'attorney's fees' as a subset of 'expenses'" and additional, non-Lanham Act case law holding that attorney's fees are a subset of expenses.

For applicants, one silver lining from the *Shammas* decision is the district court's determination that attorney's fees should be calculated using the actual salaries of government attorneys. The court reasoned that where the entitlement to attorney's fees in a statute or rule is cast in terms of expenses or "actual expenses," the use

of the government attorney's actual salary appropriately represents the actual costs incurred by the government during the litigation. Such a ruling inures to an applicant's benefit, as an award of attorney's fees based on the government attorney's actual salary will likely be less that an award based on the prevailing market rate.

Conclusion

Whether an applicant chooses to initiate a civil suit under § 1071(b)(1) or not will now require a cost-benefit analysis based upon the value of the mark at issue weighed against how important the introduction of additional evidence is to the success of the case. Better yet, an applicant can fully develop the record before the TTAB and avoid such a predicament altogether. If you have questions about how this decision may affect you and your business, please contact a member of the Firm's Intellectual Property and Technology Litigation Group.