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UNITED STATES: Fourth Circuit Requires Trademark Applicant to Pay Attorney Fees

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The U.S. Court of Appeals for the Fourth Circuit affirmed the decision of the U.S. District Court for the Eastern District of Virginia ordering the applicant who brought a de novo action in federal district court challenging an adverse decision of the Trademark Trial and Appeal Board (TTAB) to pay expenses, including attorney fees incurred by the U.S. Patent and Trademark Office (USPTO) in defending the action. *Shammas v. Focarino*, No. 14-1191, 2015 WL 1842778 (4th Cir., Apr. 23, 2015).

Shammas filed an application with the USPTO to register the trademark PROBIOTIC for fertilizer products. The USPTO refused registration of the mark on grounds that it was generic. Shammas appealed that decision to the TTAB, but the TTAB upheld the determination of the USPTO and denied registration of the mark.

The Lanham Act provides that applicants dissatisfied with an adverse decision of the TTAB may either: (a) appeal the ruling to the Court of Appeals for the Federal Circuit; or (b) bring a de novo action in federal district court. Section 1071(b)(3) of the Lanham Act provides that if an applicant elects to proceed in district court and no adverse party opposed the applicant's application before the USPTO, the applicant must name the Director of the USPTO as a defendant and the applicant must pay "all the expenses of the proceeding" whether the applicant succeeds in the action or not, unless the expenses are unreasonable. Shammas chose to commence a de novo action in federal district court.

The district court granted summary judgment in favor of the USPTO and, in response to a motion filed by the Director of the USPTO under Section 1071(b)(3) of the Lanham Act, ordered Shammas to reimburse the USPTO for "all the expenses of the proceeding" incurred by the USPTO in the amount of \$36,320.49. The expenses included prorated salaries for two attorneys at the USPTO, the prorated salary of one paralegal at the USPTO and copy expenses. On appeal, Shammas argued that the district court erred in shifting the USPTO's attorney fees to him and that Section 1071(b)(3) did not explicitly provide for a shifting of attorney fees as would be required to overcome the "American Rule," requiring each party to bear its own attorney fees.

The Fourth Circuit affirmed the decision of the district court, holding that the plain meaning of "expenses" in Section 1071(b)(3) is broad enough to include attorney and paralegal fees. In reaching its decision, the Fourth Circuit found that: (a) requiring trademark applicants to pay all USPTO expenses and construing expenses to include attorney fees is consistent with the intention of Congress to reduce the financial burden imposed on the USPTO by dissatisfied trademark applicants bringing district court actions; and (b) this section of the Lanham Act was intended as a funding provision designed to relieve the USPTO of the financial burden resulting from an applicant's decision to pursue the more expensive district court litigation option (as opposed to appealing the adverse decision of the TTAB to the U.S. Court of Appeals for the Federal Circuit).

The decision of the district court assessing expenses to Shammas was affirmed.

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